



**Directorate of
Intelligence**

Secret

25X1

West Africa: The Socialist Hardcore Looks Westward

25X1

A Research Paper

Secret

*ALA 85-10050
June 1985*

Copy **296**

Page Denied



**Directorate of
Intelligence**

Secret

25X1

West Africa: The Socialist Hardcore Looks Westward

25X1

A Research Paper

25X1

The main body of this paper was prepared by [redacted]
[redacted] Office of African and Latin American Analysis,
with appendix contributions by [redacted]

25X1

25X1

ALA's West Africa Branch. It was coordinated
with the Directorate of Operations and the National
Intelligence Officer for Africa. [redacted]

25X1

25X1

Comments and queries are welcome and may be
directed to the Chief, Africa Division, ALA, on
[redacted]

25X1

Secret

*ALA 85-10050
June 1985*

Secret

25X1

**West Africa:
The Socialist Hardcore
Looks Westward**

25X1

Key Judgments

*Information available
as of 6 May 1985
was used in this report.*

The self-proclaimed socialist states of West Africa are openly moderating their ideologically inspired policies of the postcolonial era, a development we judge to be advantageous to US interests. The process, which varies in extent and pace from country to country, first began in Guinea in the late 1970s and is now evident in the region's other original hardcore leftist states—Benin, Cape Verde, Guinea-Bissau, Congo, and Mali. The trend has accelerated since 1980 and entails improved relations with the United States and Western Europe, some liberalization of state-controlled economies, the ascendancy of political moderates in governments, and the continued denial of formal basing rights to the Soviets.

25X1

We believe the leftist regimes' moderation represents a pragmatic—and no doubt somewhat opportunistic—response to their desperate need for additional aid, investment, and debt relief to deal with mounting economic problems and the growing realization that the USSR is unwilling or unable to provide help in these areas. Whether this trend will continue, or is simply a short-lived aberration, depends in no small measure on the perceived gains and losses that each country views as associated with Western aid.

25X1

The financially strapped regimes almost certainly will seek additional Western capital to help pay for oil and food, service debts that are large for the size of their economies, and cope with chronic drought and declining terms of trade. Demands for reform from Western donors and ascendant moderate political factions probably will encourage the socialist states to continue to make pragmatic policy adjustments. For these reasons, we believe these left-leaning regimes are likely further to encourage Western free market principles and improve relations with the United States and their former European colonial metropolises.

25X1

Nevertheless, we believe that powerful forces will work against a wholesale political reorientation of the socialist states in the near-to-medium term. Indeed, despite their turn to the West for financial support, the Soviet Union has retained some important equities that were established after the former colonies won their independence from France and Portugal in the early 1960s and 1970s:

- The leftist regimes still support many positions favorable to the Soviets in international forums and maintain commercial ties profitable to Moscow.

Secret

ALA 85-10050
June 1985

Secret

25X1

- The Soviets have limited access to Guinea's military facilities where, over the last two decades, Soviet use of naval and air support installations has aided their surveillance of Western naval forces in the south Atlantic and material support of the MPLA regime in Angola.
- The USSR maintains a profitable arms supply relationship with the socialist states and plays a lucrative role in Guinea's bauxite industry, gold mining in Mali, and the rich fishing industry in Guinea and Guinea-Bissau. [REDACTED]

25X1

Moreover, liberalization is tempered, we believe, by trepidation and uncertainty about what the West has to offer and Moscow's reaction. In particular, fear that IMF-recommended policies and reforms could spur violent urban protests, uncertainty over levels of Western assistance, and foot-dragging and plotting by Communist-trained cadre in the bureaucracy and military probably will slow the turn Westward. We believe Moscow, for its part, will carefully monitor the socialists' flirtation with the West and try to protect its key interests. The Soviets almost certainly will continue to rely on military sales—which traditionally have served as a primary lever for Soviet influence—and security ties to ensure their influence. [REDACTED]

25X1

The USSR is not the only leftist country with a stake in West Africa's political orientation. We believe that Libyan leader Qadhafi's efforts to limit the socialist states' rapprochement with the West will indirectly serve Soviet interests. Tripoli almost certainly will continue to use tried-and-true tactics, such as bribery, attractive offers of financial aid, and threats of subversion, to try to induce the socialists to return to the radical fold. In our judgment, West African leaders view Qadhafi as a serious factor to be reckoned with, mainly because they believe he helped engineer the replacement of moderate governments with radical regimes in Ghana and Burkina. [REDACTED]

25X1

It is difficult to predict where the current turn to the West will ultimately lead over the longer haul. Perhaps the best the West can hope for is a process marked by fits and starts as the beleaguered regimes attempt to steer a course among conflicting pressures. In such a situation, any progress will be met by occasional backtracking. Should Western aid levels prove less generous than the moderate factions expect, for instance, socialist leaders could become disillusioned with the West and more receptive to Soviet and Libyan blandishments. We also suspect that some socialist regimes may

Secret

Secret

25X1

shy away from the political risks of far-reaching reform, giving an opening to extreme leftists to exploit discontent with living conditions and festering ethnic rivalries to recoup influence or to seize power. However, in such cases, we believe their economies would deteriorate further and, barring an unanticipated willingness on Moscow's part to make major aid injections, create new pressures for pragmatic approaches to the West. []

25X1

There is, of course, also the risk that over time the countries of the region may simply become overwhelmed by their economic plight and thoroughly disillusioned with Western solutions. If aid and private investment fails to materialize or is unable to make any perceived economic difference, leaders in the region will be forced to make some hard decisions. In such circumstances, the Soviets almost certainly would stand ready to provide, at low cost, the military equipment and training needed to bolster the local security apparatus in individual countries. A major shift back to the East would, of course, not be taken lightly since it almost certainly would mean a cutoff in Western economic aid, which the Soviets might not be readily willing to offset. []

25X1

We believe that the perceived success or failure of the turn to the West by the socialist states could have important regional implications for US interests. The effectiveness of reform programs recommended by Western governments and the IMF could encourage other governments in the region to initiate or to pursue austerity more vigorously. On the other hand, a failure by these regimes to reach an agreement with the Fund and gain access to greater amounts of hard currency and other Western aid could contribute to a new mood of African exasperation with the West. Moreover, if the reforms advocated by the West fail to strengthen the African economies—which is certainly a primary concern given the gravity of their problems—the Soviets and the Libyans over time will cite this as evidence of the inapplicability of the free market policies advocated by the United States, the World Bank, and the IMF. []

25X1

Secret

Secret

25X1

Scope Note

This Research Paper reviews moderating economic and political trends in the six West African countries that have been the foremost proponents of the socialist model and that have close ties to the Soviet Union. It assesses the prospects for further movement toward the West and greater economic liberalization by these West African socialist states as they grapple with deteriorating economies and unstable security conditions. The structure of this paper was developed in close consultation with State Department representatives. It consists of a broad, self-contained analytical essay covering the principal issues of concern to US policymakers and detailed country appendixes designed for African specialists.

25X1

Secret

Secret

25X1

Contents

	<i>Page</i>
Key Judgments	iii
Scope Note	vii
The Setting	1
The Soviet Role in the Region	1
Pressure for Change	3
Political	3
Economic	3
Military	7
Limits to Change	7
Political Ferment	7
The Soviet Response	7
The Libyan Factor	9
Western Donor Response	9
Outlook and Implications for the United States	10

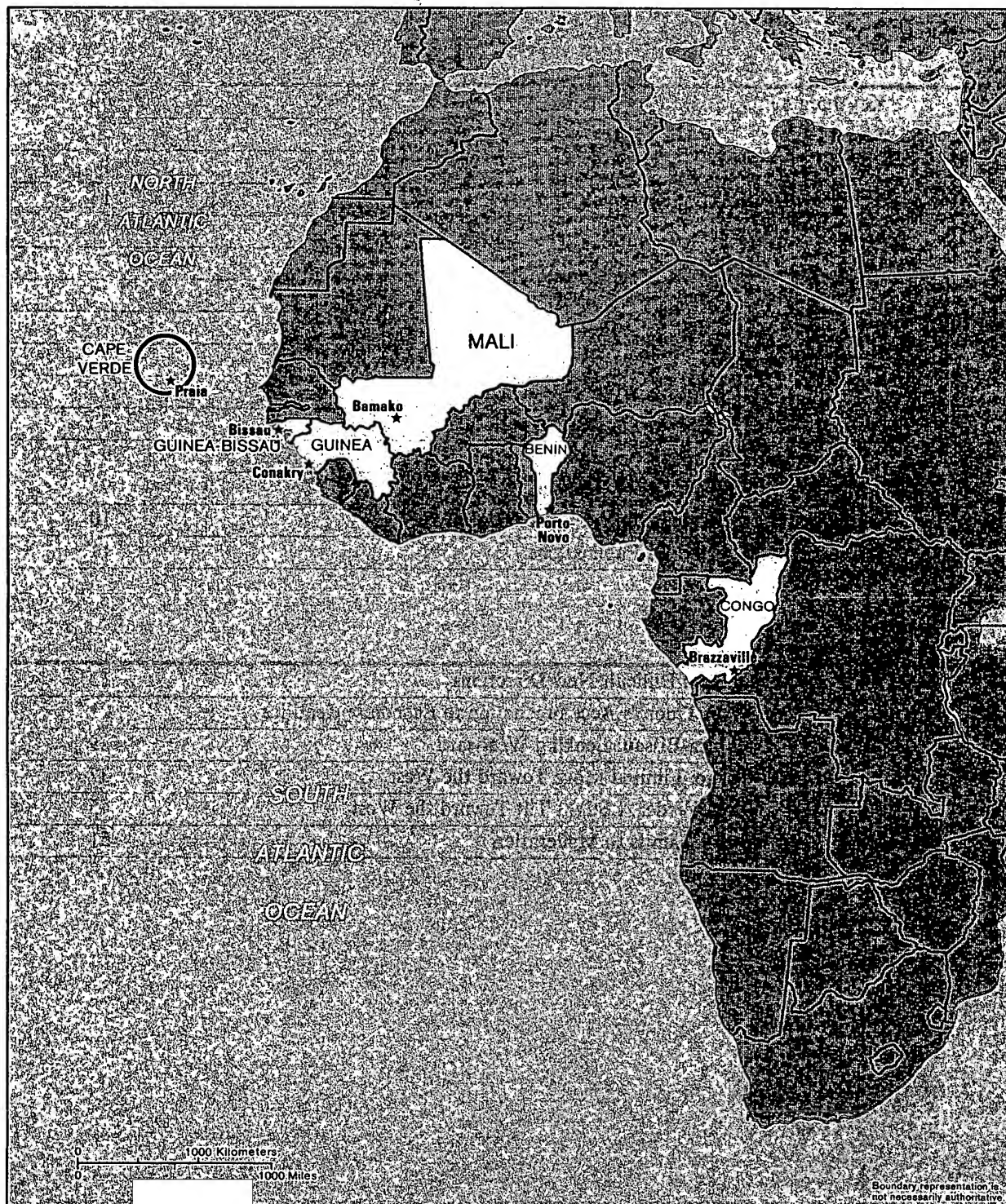
25X1

Appendixes

A.	Guinea: Difficult New Directions	13
B.	Mali: Traore's Accommodation to Economic Realities	21
C.	Guinea-Bissau: Looking Westward	29
D.	Congo: Limited Move Toward the West	37
E.	Cape Verde: A Slight Tilt Toward the West	45
F.	Benin: Limits to Moderation	51

Secret

Figure 1
Hardcore Socialist States of West Africa



705105 (A03416) 6-85

25X1

Secret

25X1

**West Africa:
The Socialist Hardcore
Looks Westward**

25X1

The Setting

Following independence in the early 1960s, the leaders of the self-proclaimed socialist states of West Africa¹ perceived Africa's poverty as a legacy of the colonial era in which the West had exploited Africa's resources. Moreover, Soviet support for the guerrilla struggles in the former Portuguese colonies of Cape Verde and Guinea-Bissau strongly swayed the independence movements that assumed power in the early 1970s. According to speeches as well as US Embassy reporting at the time, the new leaders viewed firm government control as the only way to achieve economic independence from the West and to consolidate political power at home. The Soviet system offered a model for centralized control to nations lacking established institutions and plagued by ethnic and regional divisions. Strong demand in the industrialized countries for their exports and increased foreign aid in the 1960s—as the East and West vied for influence in Africa—provided revenue to establish and subsidize state-run development programs. Moreover, the record shows that Moscow and its allies helped friendly regimes to consolidate power by developing an effective security apparatus for them.²

In exchange for Moscow's tutelage, the six countries examined in this paper accorded the Soviets special advantages and privileges. By the early 1970s, Moscow had successfully increased its influence in the region generally, expanded its access to military facilities in Guinea, and gained new and useful allies in international forums. The USSR also cultivated new markets for arms sales and, in some cases, developed profitable economic links.

¹ For purposes of this paper we refer to Mali, Benin, Congo, Guinea, Cape Verde, and Guinea-Bissau as the socialist states of West Africa. See the individual studies on these countries in the appendixes for an elaboration and documentation of the broad themes discussed in this introductory essay, which, except as noted, is based on our analysis of the open, historical record.

Over the last decade, however, West Africa has fallen on hard economic times. Such factors as increased oil prices, high interest rates, the accumulation of massive debt, chronic drought, and declining terms of trade have contributed to a sharp downturn in economic growth and living standards. Mismanagement and corruption have compounded economic problems. Highly inefficient state-owned enterprises have not been able to compete in world markets and now are a drain on government budgets. Moreover, the socialist regimes favored urban consumers and kept agricultural prices artificially low, which, as a consequence, slowed farm production and increased dependence on imported foodstuffs, particularly grain. Once these adverse trends were under way, the six countries covered in this study soon lacked sufficient foreign exchange to pay for imported goods and finance large-scale development projects undertaken during the postcolonial era. Their regimes finally were forced to limit imports, curb government spending and avoid additional external borrowing just to make ends meet, and seek additional sources of foreign aid among bilateral and multilateral donors. Between 1979 and 1984, Congo, Mali, and Guinea-Bissau negotiated arrangements with the IMF, while Benin and Guinea began talks this year with the Fund.³

25X1

25X1

The Soviet Role in the Region

Against this backdrop of economic deterioration, we believe that Moscow's unwillingness to respond to West Africa's pressing financial needs reflects the Soviets' limited strategic interests in the region, which are overshadowed by their concerns in southern Africa and the Horn. Instead, the Soviet Union has relied largely on military sales and security assistance to gain and retain influence. The meager amount of Soviet economic aid to the area has been channeled particularly into high-return commercial projects

25X1

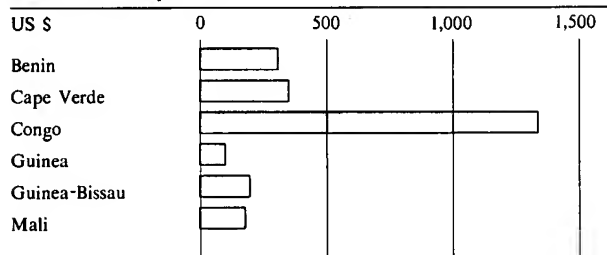
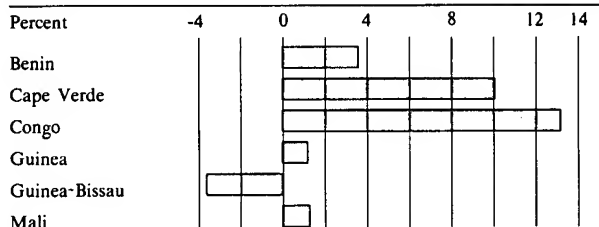
25X1

25X1

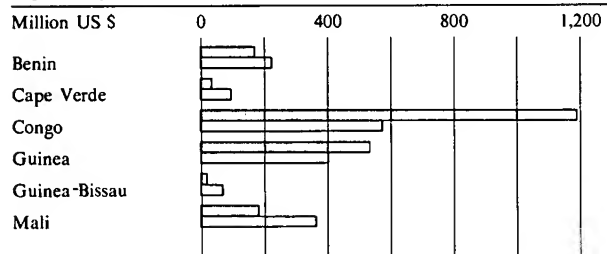
25X1

Secret

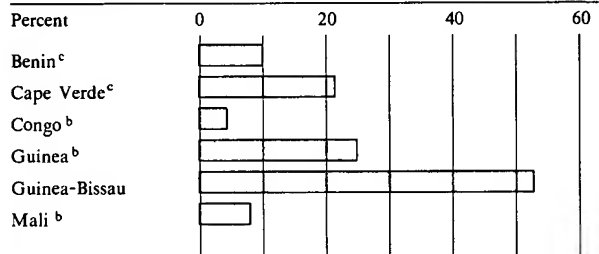
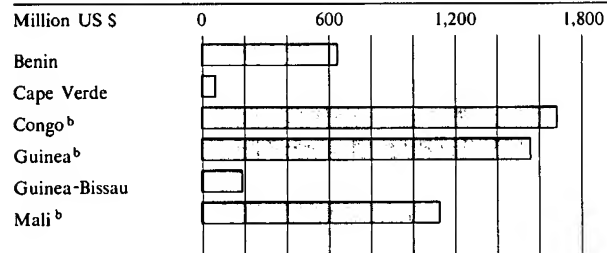
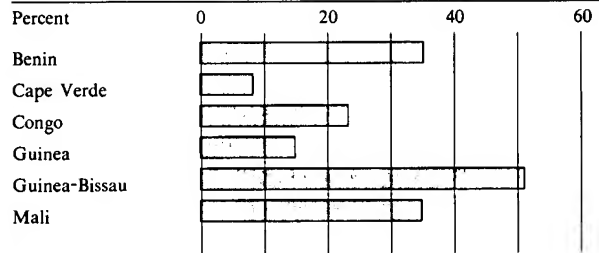
Figure 2
West African Socialist States:
Economic Profile

Real GDP Per Capita, 1982**Real GDP Growth, 1981-83^a**

Note: Remittances from Cape Verdeans abroad account for nearly two-thirds of the GDP.

Exports Imports, 1984^b

□ Exports
 □ Imports

Inflation, 1984**External Debt, 1984****Debt Service Ratio, 1984**

^a Average annually.

^b Estimated.

^c Projected.

Note: 1984 data unavailable for Cape Verde, Congo, Mali; 1983 figures used.

305640 5-86

25X1

Secret

Secret

such as involvement in Guinea's bauxite mines, Mali's gold mines, and rich fisheries off Cape Verde, Guinea, Guinea-Bissau, and Congo. Supplementary efforts, such as educational exchanges and underwriting occasional high-profile development projects, are clearly designed to develop future assets rather than achieve immediate gain. []

We believe that the Soviets have acquiesced in the socialist states' overtures to the West and the West's consequent greater economic involvement because they will not foot the bill for West Africa's economic needs and their concrete interests have not yet been seriously jeopardized. Indeed, despite the stingy Soviet response to their financial plight, US Embassy reporting has shown that the leftist regimes have given every sign that they view existing security ties to the USSR as vital to their retaining power. Conakry continues to allow Soviet access to its air and port facilities, while Guinea and the other socialist states lend political support to Soviet positions in international forums, and maintain some commercial ties profitable to Moscow:

- Over the last two decades, Guinea's naval and air facilities have aided Soviet surveillance of Western naval forces in the south Atlantic and Soviet military support of Angola's MPLA regime. US Embassy reporting also indicates that Moscow would like to establish alternative installations in Congo, Cape Verde, Mali, Benin, and Guinea-Bissau to ensure air and sea access to West Africa.
- In exchange for some financial and technical assistance, Guinea and Guinea-Bissau grant the USSR fishing rights in their rich territorial waters, Guinea allows port rights for the Soviet fishing fleet, and Cape Verde grants limited use of its port facilities, according to Embassy reporting.
- The public record shows that in the United Nations and elsewhere in the international arena, all six socialist states continue to take stands that often parallel Moscow's positions. []

Pressure for Change

In our view, as long as West Africa is plagued by economic decline—and we see no early end to the

crisis—the socialist states will continue making pragmatic, and no doubt opportunistic, adjustments to their domestic policies and control their anti-Western rhetoric in exchange for vital assistance. Pressure from ascendant moderate factions, demands for reform from Western donors, and recurrent discontent in the military with declining living conditions and the amount and quality of Soviet equipment will force left-leaning regimes to improve relations with the United States and their former European colonial metropolises. Nevertheless, we believe that the left-leaning regimes are encouraging Western, free market principles more to make ends meet than out of ideological conviction. In the unlikely event that the economic crisis were reversed, they would probably revert to earlier socialist ways. []

Political. Pragmatic technocrats who have gained the upper hand in the socialist states in the last several years almost certainly will continue to lobby for a modification of past policies. US Embassy reporting indicates that in all six leftist states moderate politicians are now disillusioned with Moscow's tightfisted economic aid policy. In our view, pragmatic technocrats throughout the region are likely to press—albeit with different resolve—for the removal or demotion of the remaining influential radicals from important government positions. If they fail, they may resort to coup plotting, []

Economic. Given the dismal outlook for West African economies over the next decade, socialist leaders probably will continue to strive for modest liberalization of state-controlled economies in hopes of winning additional Western aid, trade, and investment. Open literature, as well as State Department reporting, shows that the regimes in Mali, Guinea, Congo, and Guinea-Bissau are attempting to reform inefficient state enterprises, boost agricultural production by removing price subsidies, and trim civil service payrolls to meet criteria for IMF accords. Revision of investment codes and efforts to cut government red-tape also have encouraged US and West European commercial interest in socialist states, particularly in

25X1

25X1

25X1

25X1

25X1

Secret

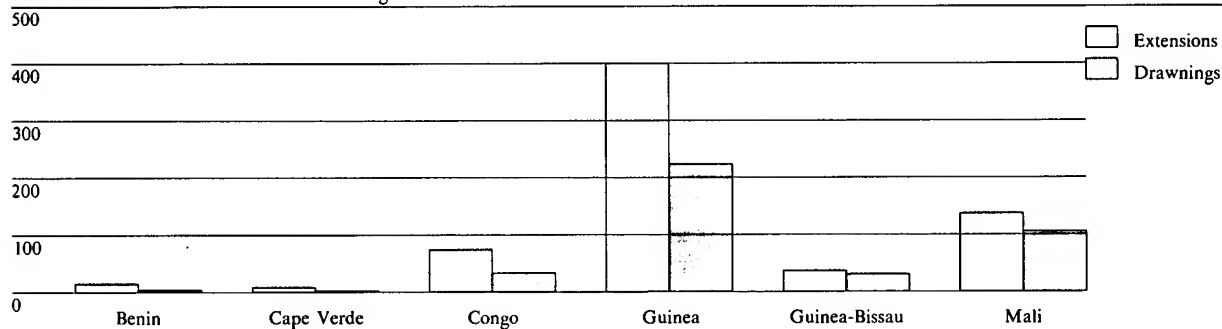
Secret

Figure 3
Soviet and Western Economic Aid to
West African Socialist States

Soviet Economic Aid, 1958-84

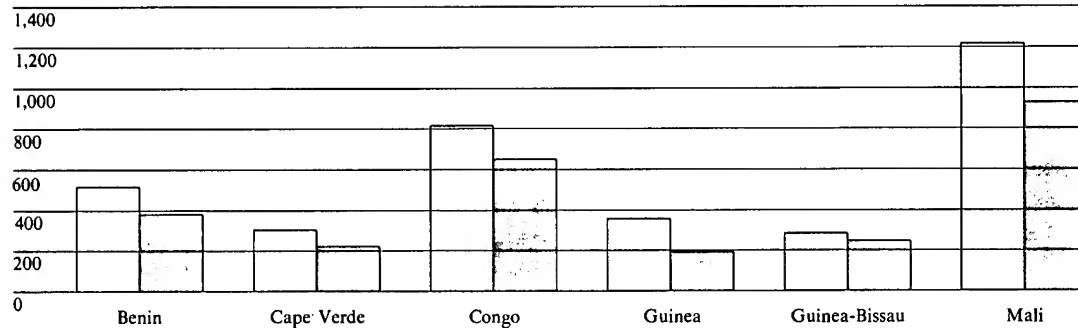
Million US \$

Note change in scales



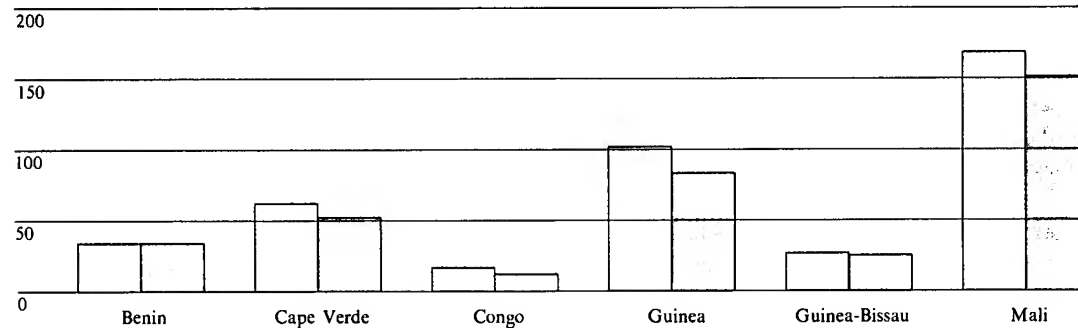
Western Economic Aid, 1958-83

Million US \$



United States Portion of Western Economic Aid, 1958-83

Million US \$



Note: Western and US figures for 1984 not available.

305641 5-85

Secret

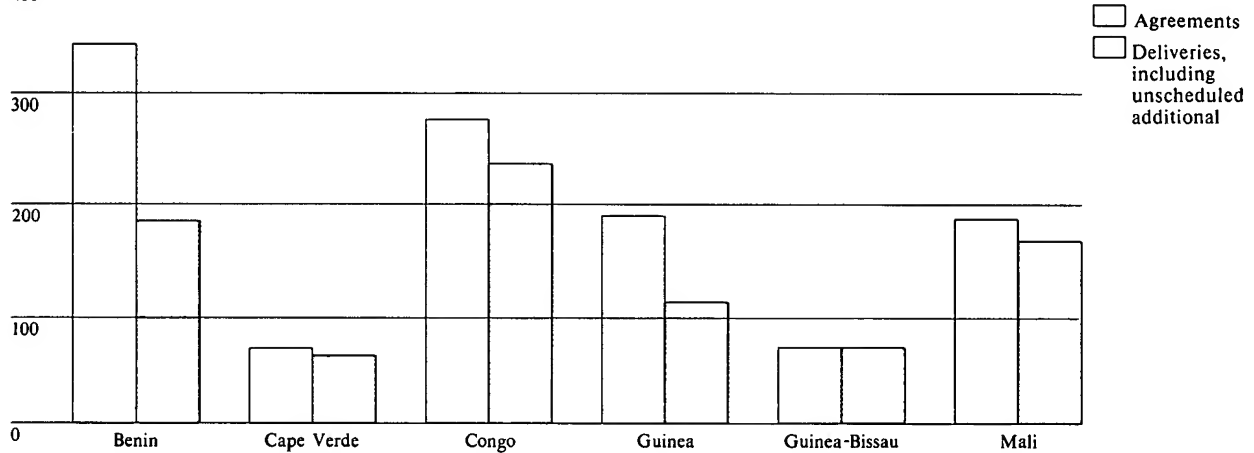
Secret

Figure 4
Soviet and United States Military Aid to
West African Socialist States, 1958-84

Soviet Military Aid
 Million US \$

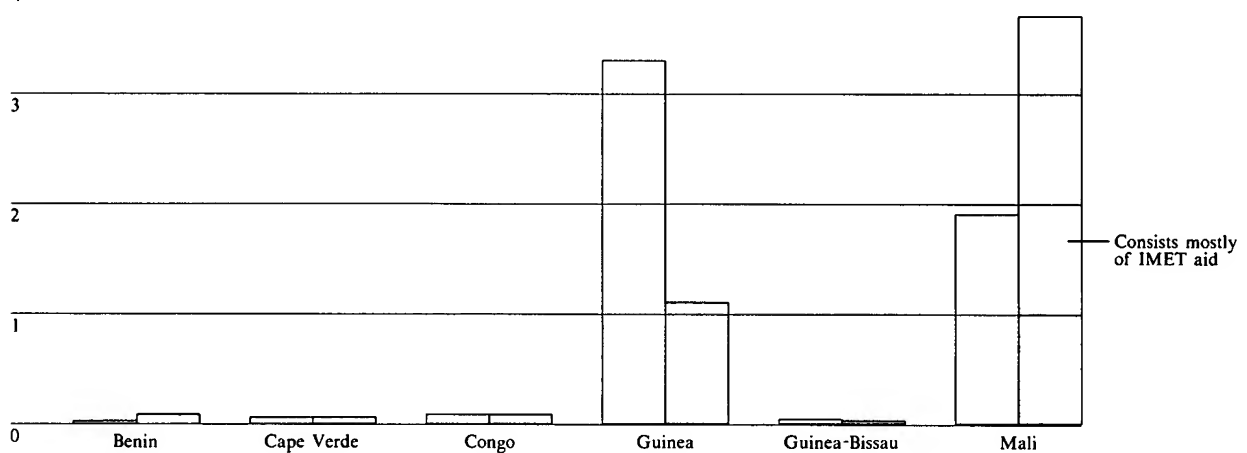
Note change in scales

400



United States Military Aid
 Million US \$

4



Note: US aid includes funds provided under the International Military Education and Training Program. Data for US not available before 1970.

305642 5-85

25X1

Secret

Secret

West Africa: Dismal Economic Outlook

West Africa has a higher portion of poor and under-developed countries than the rest of Sub-Saharan Africa. Almost all West African states are experiencing economic crises, resulting from the impact of several years of adverse internal and external factors:

- *Two oil price shocks in the 1970s.*
- *Balkanized economies dependent on a few agricultural or mineral exports, with small internal markets, unbalanced resource bases, and high-cost transportation.*
- *The collapse of commodity prices in 1978-80 that have only recovered moderately since then.*
- *Growth-inhibiting government economic policies, including inadequate price incentives for agricultural producers, costly and inefficient marketing systems, overvalued exchange rates, troublesome budget deficits, and inflationary monetary expansion.*
- *Declining food production, mushrooming population, and growing international indebtedness.*
- *The worst drought in decades that has ravaged the region for the past two years, creating widespread food shortages and famine in some areas.* []

Unable to finance widened current account deficits, West African countries—both left-leaning and moderate—have been forced to adjust their economies, primarily by squeezing imports. This, in turn, has resulted in curtailment of economic growth and caused social and political strains. In the face of economic pressures, 15 of West Africa's 25 countries

signed standby or extended fund arrangements with the IMF between 1978 and 1984 linked to economic policy adjustments. At least nine—including seven repeaters—have also had to reschedule their external debt. IMF programs are designed to reduce government deficits, slow inflation, and ease balance-of-payments problems in exchange for assistance. Adjustment has been slow, painful, and fragile, with governments avoiding implementation of the most far-reaching reforms. []

The economic outlook for West Africa is one of continued deterioration throughout the 1980s, according to World Bank and most other forecasts, despite the world economic upturn and growing African resort to economic adjustment programs. Economic growth will be very low or even negative, balance-of-payments pressures will not diminish, and debt service payments will increase throughout the decade. Several years of normal rainfall will be required to rehabilitate agriculture and reverse indirect effects of drought, such as shortages of hydro-electric power. Improvement in the terms of trade is likely to be slow for most agricultural and mineral exporters. West Africa will face strong competition for market shares in coming years as other debt-problem countries, particularly in Latin America, try to export their way out of balance-of-payments difficulties and recession. The region, with limited financing alternatives, will be no less dependent on international financial institutions, Western bilateral assistance, and debt reschedulings. The process of economic adjustment will continue, but with frequent interruptions, backtracking, and disappointing results. []

resource-rich Congo and Guinea. Reporting from US Embassies in the region indicates that business dealings with the West have underscored for socialist states both the value of Western ties and the limitations of Soviet development aid. []

Although we believe that these socialist countries will continue, albeit unevenly, to undertake economic reforms, the cumulative effect of these pragmatic measures is unlikely to relieve the economic plight of the

region. In some cases the financially strapped regimes have no alternative but to turn to Western donors to avert government bankruptcy. President Kerekou of Benin, for example, agreed in 1984 to implement reforms in exchange for French funds—to pay creditors and long overdue government salaries—after his

Secret

Secret

international plea for emergency assistance met with no response from other donors, according to US Embassy reporting. Ultimately, we believe that the overall economic impact of these emerging reformist policies will be relatively marginal, enabling these countries to stem the pace of their economic decline but without significantly reversing it. Consequently, we expect the economic pressure for reform to continue for at least the next several years. []

Military. Our review of US Embassy reporting indicates that socialist regimes over the last several years have been under recurrent pressure to stem dissatisfaction with deteriorating living conditions among the ranks of their militaries. In large measure, falling standards of living among the military are directly linked to the economic difficulties faced by the region as a whole. Moreover, according to US defense attache reporting, the Soviet arms connection is a double-edged sword. While regimes have found the Soviets the most convenient and financially competitive source of needed security and arms assistance, their rank-and-file military have become disillusioned with equipment that is dated and poorly maintained and with poor quality training. US Embassies in the area report that soldiers who are exposed to Western equipment and training prefer them to Soviet programs.

Embassy and US defense attache reporting indicates that moderate senior Army officers in Guinea, Benin, and Mali are disillusioned by the Marxist experiment and unhappy with radical influence on their governments and that they continue to press the leaderships to deal effectively with the countries' economic problems. Moreover, junior officers and enlisted men in Benin and Mali have been unhappy over slow promotions and delays in salary payments and have resorted periodically to coup plotting, according to Embassy reporting. []

Limits to Change

In our view, however, the socialist states' turn toward moderation will be slow and subject to backtracking. We believe that domestic political cleavages founded in ethnic, regional, and ideological differences preclude the complete abandonment of socialist policies. Moreover, the socialist regimes' perceived need for a reliable and low-cost source of arms ensures continued

Soviet influence. Based on reactions so far, the West's response to regional needs likely will be constrained by its own economic imperatives. Among the socialist states, potential disappointment with the level of Western aid and the possible fallout from politically risky austerity measures supported by the IMF will provide hardcore radicals opportunities to rally opposition to moderate policies. Moreover, we expect the Soviets to maneuver behind the scenes to protect both their own interests and those of the leftists opposed to Western influence. []

Political Ferment. US Embassy reporting indicates that despite the ascendancy of the moderates, hardcore leftists continue to wield influence in the bureaucracies and militaries of the West African socialist countries. For example, the Beninese regime—where committed Marxists occupy several important positions such as the presidency of the National Assembly and the head of the country's UN mission—periodically attacks US positions in international forums. It so far has been unable to reach an agreement with the IMF due to opposition from hardcore leftists who have a vested interest in the state enterprise system. Hardliners in any of the six left-leaning states are likely to use far-reaching and painful austerity measures, particularly severe cutbacks in state-owned enterprises that employ large numbers of urban dwellers, as a rallying point for opposition to the incumbent regimes. Moreover, despite US Embassy reporting that the vast majority of West Africans trained in the USSR return home disillusioned, we believe at least some probably return home committed to the Soviet model. []

The Soviet Response. Until their real interests are threatened, the Soviets will probably continue to acquiesce in a somewhat greater level of Western involvement in the West African socialist states. We base this view on Moscow's apparent decision not to provide significant economic aid to a region of only secondary strategic importance. Some Soviet writers have even publicly suggested that acceptance of Western aid does not interfere with the ability of a developing country to progress along the "socialist

25X1

25X1

25X1

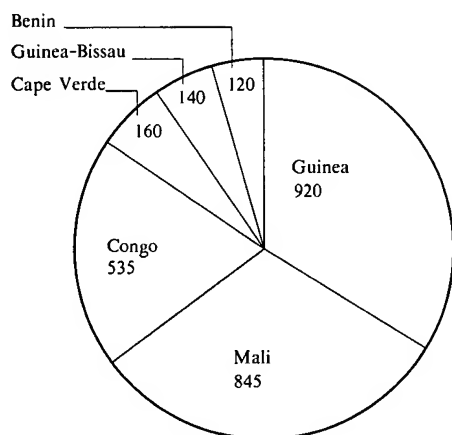
25X1

Secret

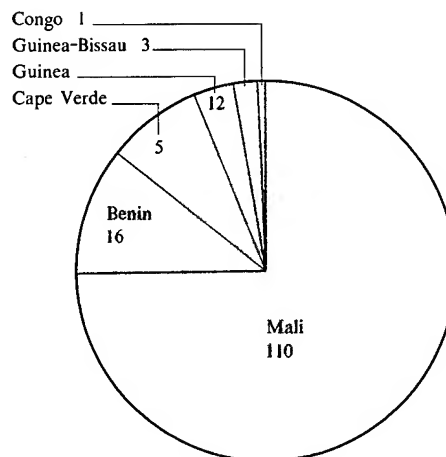
Secret

Figure 5
Military Students From West African Socialist States
Trained by Soviet Union and United States, 1958-84

Soviet Union



United States



305643 5-85

path of development." These writers claim that developing nations will look to the USSR as a counterweight to the "forces of imperialism" and that the Soviets should exploit such opportunities as they arise. In line with this reasoning, Beninese President Kerekou announced in a speech early this year that he was fully committed to development along Marxist-Leninist lines, but was prepared to achieve his aims for relieving poverty by different methods, saying, "A pilot can land his plane from any direction, East or West." [redacted]

Nevertheless, Moscow is certainly aware of the socialists' flirtation with the West and is seeking to preserve its military and security ties. For example, in Congo and Guinea-Bissau, the Soviets have finally delivered long-promised military materiel and offered new contracts to replace and refurbish equipment in Guinea's inventory, according to US Embassy reporting. They also have completed construction of a new headquarters for Benin's Navy. In addition to expanding military aid, the Embassy reports that the Soviets in Mali are pushing greater party-to-party cooperation, restructuring of front organizations, and the

education of increased numbers of Malians. According to Embassy reports, the Soviets also have stirred unrest in both Mali and Benin in recent years to discourage moves toward the West. [redacted]

Despite dissatisfaction with the quality of Soviet military equipment, the West's reluctance to provide major military hardware and offer terms competitive with the USSR has, we believe, led all six socialist states to preserve access to Soviet arms. In addition, incumbents like Congolese President Sassou Nguesso almost certainly worry that Moscow could exploit chronic regional and tribal tensions by supporting opposition elements should Soviet interests be seriously threatened. Moreover, we believe he and other leaders feel vulnerable to coup plotting by the Soviet-trained personnel in their security apparatus. [redacted]

[redacted] 80 percent of Congo's officer corps is Communist-trained. [redacted]

Secret

Secret

Table 1
Soviet-Cuban-Libyan Personnel in
West African Socialist States, 1984

	Benin	Cape Verde	Congo	Guinea	Guinea-Bissau	Mali
Soviet personnel	60	45	790	610	245	675
Military advisers	5	20	340	50	55	50
Others ^a	55	25	450	560	190	625
Cuban personnel	49	21	412	261	139	12
Military advisers	10	NA	260	10	50	NA
Others ^a	39	NA	152	251	89	NA
Libyan personnel	52	0	50-100	8	2	16
Military advisers	NA	0	NA	0	0	0
Others ^a	NA	0	NA	NA	NA	NA

^a Others include economic technicians and the diplomatic corps.

[redacted]

25X1

We believe that the threatened loss of military access rights would provoke Moscow to take stronger measures to counter Western inroads in West Africa's socialist states. In the event that Guinea, for example, cut off remaining Soviet air and naval access, we believe Moscow would probably use offers of large-scale security and economic aid to try to gain access to alternate facilities in Cape Verde, Guinea-Bissau, or Benin. [redacted]

The Libyan Factor. In our view, Libyan leader Qadhafi also will work to prevent the socialist countries from strengthening relations with the West. Qadhafi almost certainly will continue to use a mix of attractive offers of aid, widespread bribery of government officials, and occasional support for domestic opposition when dealing with regimes that he views as drifting too far into the Western camp. For example, Congo—where Tripoli maintains a large diplomatic presence—recently signed an open military agreement providing for Libyan training and supplies for the Congolese Army and the security service. [redacted]

[redacted] last year Tripoli donated a Boeing 707, a fully equipped mobile television studio, and funds for a new housing project to Benin to ensure Libya's continued access. [redacted]

[redacted] Libyan officials periodically bribe local officials to help achieve Libya's interests, such as the undermining of Chadian reconciliation talks held

in Congo last year. Moreover, US Embassy reporting also indicates that Libya has tried to stir domestic unrest in predominantly Muslim Mali and was implicated in coup plotting in Benin in recent years. [redacted]

25X1

25X1

Western Donor Response. We believe that some of the socialist regimes, disappointed with what they perceive as less than generous Western aid, could sour on the benefits of closer ties to the West. In our judgment, the leaders of socialist states probably harbor unrealistic expectations of European and US aid and investment over the next several years, which risks disappointment and frustration. [redacted]

25X1

25X1

From their own budget statements, we judge that France and Portugal—the former having important ties to Benin, Mali, Guinea, and Congo and the latter to Cape Verde and Guinea-Bissau—are unprepared to increase levels of assistance significantly. In addition to their own budgetary constraints there also exist more important commitments elsewhere in Africa, such as Ivory Coast, Senegal, Chad, Angola, and Mozambique. French military and technical aid levels to Sub-Saharan Africa have dropped sharply under

25X1

25X1

25X1

25X1

Secret

Secret

France's 1985 budget. US Embassies in the region indicate that both Paris and Lisbon have pressed recipient states as a condition for additional bilateral aid to negotiate IMF programs and reschedule their debts. Moreover, in Congo and Mali, France has refused to reschedule bilateral debts, demanded cash payments on military deliveries, and cut additional tranches of economic assistance until they reach agreement with the IMF. []

Outlook and Implications for the United States

We believe that this opportunistic shift toward the West is the result of deep-seated political pressures and economic realities in all six West African socialist states. Leaders of the left-leaning regimes are balancing the demands of influential moderate and radical factions in an effort to retain power. In our view, disputes between these competing factions are founded in ethnic, regional, and personal differences that are unlikely to be resolved over the near term. Therefore, we expect the socialist leaders to continue these efforts to satisfy demands by moderate factions and Western donors for reform, while trying to avoid offending the radicals and their Soviet and Libyan allies. []

We believe that the moderating trend will benefit US interests so long as it continues. The socialist states' growing need for bilateral economic aid, support from international lending institutions, and Western trade and investment almost certainly will enhance US leverage. In exchange for greater Western support, the socialist states are likely to continue experimentation with free market Western principles and to implement cautiously some additional reforms. They also are likely to keep diplomatic relations with key Western donors on an even keel, soften their anti-Western rhetoric, and improve slightly their anti-US voting pattern in the United Nations. At the same time, the resurgence of Western influence has provided a counterweight to Moscow's interests in the region, largely derived from Soviet security and military assistance. []

In our view, the moderating trend is fragile and periodic setbacks are likely. Efforts by the financially strapped regimes to steer a moderate course are likely to suffer periodic reversals and backtracking. Moreover, should moderate factions become discouraged

by lower than expected Western aid levels, the leftist regimes could become more receptive to Soviet or Libyan blandishments. We suspect that in some cases the socialist leaders may resist the political risk of extensive reform that could provide hardline radicals with an opportunity to exploit public unhappiness with living conditions and chronic ethnic and regional rivalries. These radicals could use popular unrest to recoup their waning influence or even to seize power. []

A coup in any of the six socialist states by leftist military or civilian leaders embittered by the turn toward moderation is always possible and could come with relatively little warning. Radical leaders of a populist coup probably would look initially to the Soviets and Libyans to provide military equipment and training to bolster their security apparatus. They would probably resort to repressive tactics to suppress outbreaks of unrest stemming from declining living conditions rather than make reforms required by Western donors. Nevertheless, in the event of new financial or food crises, however, radical leaders would probably be forced to look primarily to the West for help in view of Moscow's unwillingness to supply economic assistance and emergency food aid. These new ties would then afford an opening for the United States and its European allies to make gains at Soviet and Libyan expense. []

25X1

25X1

25X1

25X1

25X1

Secret

Page Denied

Guinea

Secret

Appendix A

Guinea: Difficult New Directions

Guinea, one of the first black African countries to opt for socialism and close relations with the USSR after independence, was also among the earliest to become disenchanted with socialist policies and Communist ties that have left this potentially rich country's economy in a shambles. A coup last year swept away the repressive political system of Guinea's founding father, Sekou Toure, and accelerated efforts—belatedly begun by the late Toure—to liberalize the economy and to attract a greater Western economic role. US Embassy reporting indicates, however, that President Lansana Conte's moderate military government faces a number of pressures—from ethnic divisions, rising economic expectations, and the lower ranks of the military—that will test its unity and ability to translate promises into reality. []

Although trends in Guinea probably will remain generally favorable to US interests while Conte is in power, we believe the near-term prospects are poor for genuine economic reform, a pro-Western tilt in Guinea's foreign policy, or even a reduction in Soviet military access and presence. In fact, Conakry's open-door approach to foreign aid has led it to accept promises of new assistance from the Soviets and Libyans. Although not likely in the near term, we believe Guinea may reestablish close ties to the Communist world if it becomes disillusioned with the degree of Western responsiveness to its economic needs, or if Conte is replaced by an unstable new regime vulnerable to Soviet and Libyan blandishments of political and security aid. []

Toure's Legacy

Guinea, the first French-speaking state in black Africa to achieve nationhood, labors under the legacy of Sekou Toure's 26 years of authoritarian rule and ineffective economic policies. Toure's death in early 1984 led to a quick takeover by President Lansana Conte's moderate military regime. The new leadership's proclaimed aims were to eliminate past injustices, revive the economy, and continue a nonaligned foreign policy while looking for development aid from any source. The US Embassy reports, however, that

Figure 6. Col. Lansana Conte,
President of Guinea. []



25X1

Conte clearly wants to foster closer ties to the West, a process that Toure had begun during his last years. []

25X1

25X1

Sekou Toure, one of the most radical and anti-Western leaders south of the Sahara, broke with France at independence in 1958 to pursue state socialism and close ties to the Soviet Union and other Communist states. His policies made a shambles out of a potentially thriving economy, drove hundreds of thousands of Guineans into exile, and isolated the country from the mainstream of African development. In exchange for Soviet arms, Moscow gained limited access to Guinea's air and naval facilities as well as to its rich bauxite deposits. []

25X1

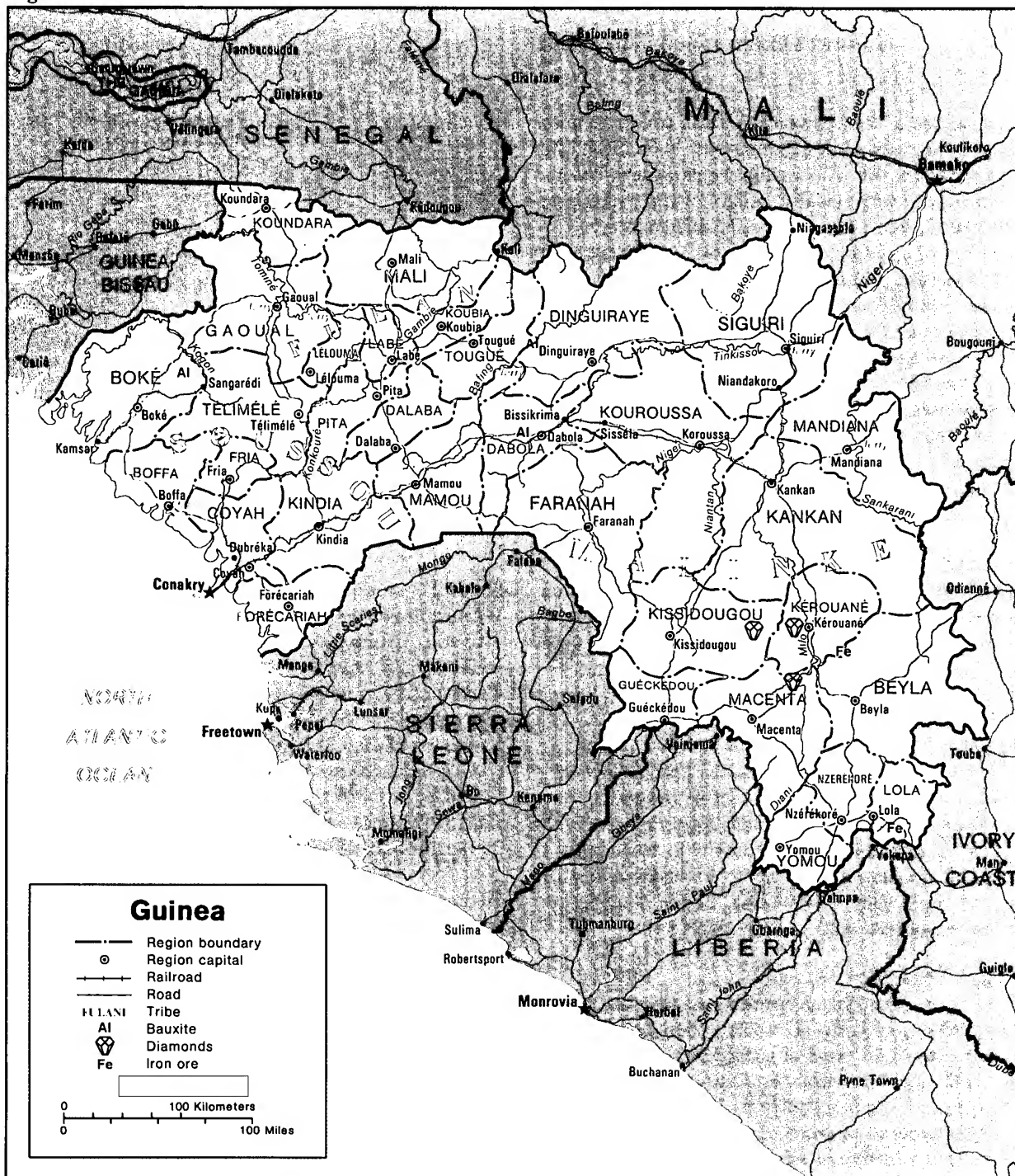
Guinea slowly started in the late 1970s to move toward greater collaboration with the West. US Embassy reports indicate that Toure was concerned that his rigid socialist policies risked serious political instability and that he had become strongly dissatisfied with the paucity of Moscow's economic and military aid. Moreover, the Embassy reported that the Guinean leader was impressed by the performance of Western firms that began in the 1960s to help develop the country's mining sector. []

25X1

25X1

Secret

Figure 7



705109 (A05188) 6-85

Secret

Secret

Toure made clear his displeasure with Moscow in 1977 by withdrawing landing rights for Soviet TU-95 naval reconnaissance aircraft and refusing transit for Soviet aircraft carrying Cuban troops to Ethiopia. In subsequent years, the Embassy reported that Toure sharply reduced the number of Soviet military technicians in Guinea and continued to rebuff Soviet overtures to establish a naval base. []

Toure started to repair Guinea's relations with moderate African neighbors, as well as with France, Western Europe generally, and the United States. According to the US Embassy, he became a vigorous spokesman for West African states concerned about Tripoli's interference in regional affairs and was criticized frequently by Libyan leader Qadhafi for abandoning Africa's revolutionary cause. Toure relaxed some state control of trade and agriculture, adopted a more liberal investment code, and personally courted potential Western investors. Toure's economic steps had borne little fruit before he died, however, and Guinea was still militarily wholly dependent on the Soviets. []

The Soviet Connection

Although ties to Moscow have loosened since 1977, both the Soviets and Guineans still derive useful military and economic benefits from their relationship, according to US Embassy reports. The Soviets continue to use Conakry as a transit stop for military transport flights to Angola. Conakry also is the only West African port routinely used by the Soviets' small, Luanda-based West African naval patrol, although the number and length of ship days in port have fallen steadily since the mid-1970s. Moreover, Guinea serves as the primary transshipment point for sea-delivered Soviet arms bound for Mali. []

Moscow continues to be Guinea's primary source of military equipment, training, and spare parts. According to US Embassy figures, the USSR has provided some \$341 million in such aid to Guinea, mostly during the 1960s and 1970s. The military equipment includes MIG-21 fighter aircraft, T-34 and T-54 tanks, MI-8 helicopters, and transport aircraft. The current number of Soviet military advisers is about 50, down from 200 a decade ago. Over 900 Guineans have received military training in the USSR over the years. []

Although bilateral trade has declined steadily in recent years, Conakry still depends on the Soviets in several economic areas, according to reports from the US Embassy. Between 315 and 450 Soviet professionals and technicians are in Guinea, including some 200 teachers and 25 medical personnel, while some 350 Guineans are taking courses in the Soviet Union. The Soviets developed a bauxite mine at Kindia, which accounts for nearly half of the \$223 million in economic credits Moscow provided to Guinea in earlier decades, supplies about one-eighth of the USSR's bauxite needs, and generates export revenues that enable Guinea to repay loans to Moscow in hard currency.⁴ Soviet fishing operations in Guinea and adjacent coastal waters make up about 25 percent of the USSR's annual regional catch in West Africa. Moscow has agreed to sell some 10,000 tons of its yearly catch to Conakry. []

New Directions

The 25 officers who compose the ruling Military Committee for National Redressment strike US Embassy observers as a pragmatic lot. Most are familiar faces drawn from Guinea's second tier of leadership. Some of the older ones—like President Conte—go back 25 to 30 years and have been trained by the French. The younger members have been schooled in Communist countries. []

Conte has swept away the repressive practices, all-pervasive party structure, and the ideology of the Toure era, according to the US Embassy, while keeping the existing administrative machinery intact. Freedom of movement and personal expression now exist, as does limited press freedom. Directives have

⁴ Under the terms of a 12-year Soviet-Guinea accord signed in 1976, 40 percent of annual planned production of bauxite goes to the USSR as a direct loan payment. Fifty percent of the bauxite is sold to the USSR under a fixed-price contract, which is below world market price of bauxite. While Moscow pays in hard currency, the funds are placed in a bilateral clearing account, from which Conakry draws to repay its debt to the USSR for military aid and other services. Ten percent is available to Guinea for sale on the open market, though there is little evidence that it has done so in the past. Guinea's hard currency earnings from separate Western-developed bauxite mining operations are not used to repay loans to the USSR. []

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Table 2
Guinea: Selected Economic Indicators

Million US \$
(except where noted)

	1980	1981	1982	1983 ^a	1984 ^b
Trade balance	100	47	64	124	134
Exports (f.o.b.)	494	493	442	516	537
Imports (f.o.b.)	394	446	378	392	403
Current account balance	-91	-96	-63	-24	7
Gross foreign reserves	-239	-289	-281	-349	NA
External debt	1,020	1,249	1,231	1,216	1,564
Real GDP growth (percent)	3.0	1.0	2.0	1.0	1.5
Inflation (GDP deflator) (percent)	NA	25	25	25	25
Debt service ratio (percent)	19.2	16.8	17.0	13.4	15

^a Preliminary.

^b Estimated.

been issued to liberalize education, the judicial system, and the labor movement, while essential economic changes continue to be studied and debated. Internationally, the regime has taken pains to stress Guinea's nonalignment and—despite counting on substantial Western economic support—its willingness to look anywhere for development aid. []

While the regime has made a promising beginning in some areas, according to the US Embassy, it is having to deal with some pent-up tribal frictions among Guinea's three main tribes, the Malinke, Sousou, and Fulani. []

The Economy at a Crossroads. The Conte regime has taken some modest steps to liberalize the economy, according to US Embassy reporting, and has begun negotiations with the IMF on a standby agreement. Conakry also is consulting with the World Bank and potential bilateral donor governments to provide technical and material assistance for restructuring the economy. To encourage agricultural production and distribution, collective farms have been abolished and official prices for export crops have been increased. A more liberal investment code has been introduced that is designed to encourage free enterprise. The government is exploring the possibility of setting up more

joint ventures with foreign investors to better exploit agriculture and minerals. Moreover, private commerce is being encouraged. []

Guinea's most vital financial negotiations are those with the IMF. The US Embassy reports that rescheduling Guinea's large debt hinges on conclusion of an IMF accord, as does Guinea's possible entrance into the French-backed African franc zone. The IMF has called on Guinea to institute basic changes in policy, including a substantial devaluation of its currency, removal of subsidies on rice and petroleum products, elimination or reform of many state enterprises, and a large reduction in civil service personnel. []

Broadening the Stable of International Donors. Guinea's new leaders appear willing to accept economic aid from any source as long as it carries no political strings. []

[] The US Embassy

Secret

Secret

Guinea: The Economy at a Glance

Guinea's extensive mineral and agricultural resources form the basis for one of the potentially strongest economies in black Africa. Data from US Government and international financial institutions show that Guinea's mineral wealth includes one-third of the world's known reserves of high-grade bauxite and sizable deposits of high-grade iron ore and diamonds. The Guinean watershed can support the cultivation of a wide variety of tropical agricultural products. Moreover, the country's hydroelectric power potential is over 62 billion kilowatts.

Despite its promise, the economy is foundering after a quarter century of rigid state socialism and mismanagement. The little-developed modern sector centers on a variety of state-owned agricultural and industrial enterprises and on the mining industry which has few linkages to the rest of the economy. Bauxite provides 96 percent of the country's export earnings and almost all government revenues. Firms from the United States, Canada, France, West Germany, Italy, the Netherlands, Australia, Switzerland, and the USSR are involved in Guinea's major joint mining ventures.

Production of cash crops, which accounted for the bulk of Guinea's export earnings before independence, now represents only 3 percent of the total value of exports. Today more than 80 percent of the population engages in subsistence agriculture. According to

press reports, at least half of the country's crops are smuggled out of the country or sold on the black market, which has transformed Guinea from a position of near self-sufficiency in food production to a net importer. Guinea now spends some 30 percent of annual hard currency earnings on food imports. Public services are in a shambles because Conakry has not replaced roads, telecommunications facilities, industrial plants, and public buildings built by the French prior to independence.

We estimate that real GDP growth from 1958 to 1982 averaged 1.3 percent a year, less than half the rate of increase in population. As a result, per capita income is only about \$100, making Guinea one of the world's poorest countries. IMF reports indicate that Guinea also had persistent current account deficits over the past several years, with an external debt of over \$1.5 billion. We estimate that servicing this debt will consume 18 percent of Guinea's annual foreign exchange earnings in 1985. Soaring food and fuel costs have pushed inflation to 25 percent annually in recent years. The cost of living for the average urban dweller probably has increased even more. US Embassy reporting shows that most commercial transactions occur on the black market, where the value of the Guinea's currency is as little as one-tenth the official exchange rate.

25X1

reports that as a result, Conakry has simultaneously solicited assistance from both North and South Korea, Taiwan and China, moderate and radical Arabs, Libya and Israel, and from the USSR as well as the West. In our view, the regime's willingness to solicit new aid from Communist states reflects primarily opportunism, not a reversal of Guinea's previous disillusionment with Soviet bloc assistance.

last fall, according to the US Embassy, the French aid program in Guinea grew significantly. Paris increased direct aid and credits in 1984 from \$2.4 to \$7.9 million to help revitalize transportation, telecommunications, electrical power, agriculture, and education. Although Conte has requested large-scale assistance to reorganize the Guinean Army, Paris has agreed only to a modest \$1.8 million military program for 1985, according to the Embassy. France will provide a

25X1

Conte has made special efforts to cultivate France and the United States. After a high-level French Government delegation received red carpet treatment

Secret

Secret

light helicopter, two small naval patrol boats, some engineering equipment, and military training in France for 30 to 40 Guinean officers. [REDACTED]

Guinea's new investment code and professed intention to give market forces freer play have stirred growing French commercial interest, according to the US Embassy. At least four high-level French business groups visited Conakry during the past year. The Embassy reported that even before the coup some 50 French firms and 1,000 French nationals were in Guinea, involved in engineering, construction, and industrial renovation projects. France has become Guinea's chief supplier of capital goods, according to the Embassy, and trade increased 25 percent between 1977 and 1982—the last period for which data are available. Almost 90 percent of French purchases from Guinea consist of bauxite and alumina. [REDACTED]

The United States also has growing economic ties to Guinea. US food aid has been the cornerstone of US assistance to Guinea since 1971, when Washington terminated an earlier AID program that had provided almost \$100 million since independence, and which was focused on technical assistance, transportation equipment, and machinery in addition to agricultural commodities. The United States increased its food aid from \$2 million in FY 1983 to \$5 million in FY 1984, following smaller increases in agricultural and manpower development projects that date from 1976. The United States provided a \$3 million grant for FY 1985 to purchase military equipment, including patrol boats. [REDACTED]

American firms, like their French counterparts, are showing growing interest in post-Toure Guinea, and have started exploring trade and investment opportunities in the mining, agriculture, and energy sectors. The Conte government also has begun to use the US Embassy as a regular channel to solicit private American financing for planned development projects. US private investment, primarily in bauxite and iron ore mining, totals \$185 million. US firms are developing diamond mining projects and exploring for oil and

uranium. The United States purchased an average of 31 percent of Guinea's exports, mainly bauxite and alumina, between 1979 and 1983. [REDACTED]

Constraints on Moderating Trends

In our view, Conte faces a number of potentially serious constraints as he seeks to liberalize the economy and to involve the West to a greater extent in Guinea's development. In particular, according to the US Embassy, the regime faces difficult challenges in meeting popular expectations for improvements in living conditions and in dealing with tribal frictions between key groups sharing power within the regime. [REDACTED]

US Embassy reporting suggests that impatience among the populace and the junior military over the economy, together with ethnic rivalries between Conte's Sousou tribesmen and the formerly dominant Malinke, contributed to Conte's reorganization of the government late last year and his raising of salaries for civil servants and the armed forces. Conte consolidated his position, at least for the short term, by downgrading the prime minister and several other Malinke, even though a large number of Malinke remain in the government and armed forces. Moreover, the Fulani, prominent during the French colonial period, still feel left out of the country's mainstream. [REDACTED]

Western Donor Response. Western responsiveness to Guinea's aid and investment needs will continue to weigh heavily in Conte's willingness and ability to tackle difficult economic reforms. We suspect Conte may be disappointed by the amount of new aid that actually is tendered by key Western governments; Embassy reporting suggests that budgetary constraints on France and the United States will cause new assistance to fall short of Guinea's expectations. Furthermore, we believe that the regime's open-door policy of accepting aid from any source may backfire if Western supporters become discouraged when they perceive no further reduction of Conakry's ties to Communist and radical Third World governments. [REDACTED]

Secret

Secret

The Soviets and Libyans. Another constraint to lasting adoption of Western-oriented policies is Guinea's dependence on the Soviets for military security. Conakry clearly continues to be dependent on the Soviets for major arms, spare parts, and military maintenance. Moreover, we see little likelihood that Guinea's continued collaboration with the Soviets in the Kindia bauxite project and in the fishing industry will end.

According to the Embassy, a high-level Soviet military delegation visited Conakry late last year to discuss the possible replacement of aircraft for the Air Force and refurbishing other equipment in the Guinean inventory.

the Soviets last year offered to establish a new fishing port near Conakry in return for exclusive fishing rights in Guinean waters and permission to refurbish another port for use by Soviet-manned patrol boats for protection of their fishing fleet. We do not know the present status of these cooperation proposals.

In addition to these military-related measures, the Soviets are becoming more active in trying to protect and expand their economic presence. The US Embassy reports that Moscow signed a \$115 million loan accord in late 1984 for a variety of agricultural and industrial projects, involving a 10-year repayment period at an interest rate of 4 percent. Repayment is to be made in bauxite or in hard currency.

The Libyans, too, are a potential constraint on Conakry's turn to the West, even though Tripoli is now not very active in Guinea. US Embassy reporting indicates, however, that Libya's influence in the region has grown in the wake of its success in getting French forces out of Chad. Libya has meddled among disgruntled Muslim elements in neighboring Senegal and The Gambia, and may follow suit in Guinea—particularly if Paris were perceived to be regaining predominance in Conakry. In our view, fear of active Libyan subversion could cause Guinea to become more circumspect in its opening toward the West.

Outlook

Guinea's greater receptivity to Western economic involvement probably will continue, in our judgment, as long as Conte remains firmly in charge of the

government and the armed forces. His primary political challenges will be to maintain cohesion among the senior military leadership, while keeping popular economic expectations within bounds, ethnic tension in check, and junior officers pacified. A serious threat to Conte's personal survival, however, would divert him from pursuing further economic reform and openings toward the West.

We believe, however, that the near-term prospects are poor for a decisive pro-Western tilt in Guinea's foreign policy even if Conte's power is not challenged. Conte is unlikely to press for further major cuts in the Soviet presence primarily because of Guinea's dependence on Moscow for military supplies.

Alternative Scenarios. Although we do not believe Guinea's disillusionment with its formerly close ties to the Communist world will soon fade, Conte's overthrow in a military coup could afford new, exploitable opportunities to the Soviets and Libyans, at least in the near term. A power grab by disgruntled tribal groups or by young and inexperienced populist radicals probably would be followed by considerable domestic turbulence and uncertainty in Guinea's foreign policy. A vulnerable new regime might prove susceptible to Soviet and Libyan offers of military and economic aid. On balance, however, we believe Guinea would find itself dependent primarily on the West for aid, trade, and investment, even though a successor regime might take some time to realize this, as was the case in Ghana under Rawlings.

Alternatively, Conte may hold on to power and become less favorably disposed toward the West. Although probably unlikely in the near term, he could become disenchanted with Western responsiveness to Guinea's aid and investment needs. Conte might calculate that increasing ties to Moscow and Tripoli could prompt the West to provide needed new assistance that could help his regime ride out any increase in popular dissatisfaction over economic conditions.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Mali

Secret

Appendix B

Mali: Traore's Accommodation to Economic Realities

Mali, with a socialist, state-controlled economy and closely associated with Moscow since the 1960s, has been showing signs of moderating its domestic and foreign policies since 1980, according to US Embassy reporting. Bamako is loosening ties somewhat to the Soviets, improving relations with France and the United States, and liberalizing some areas of its economy in search of greater Western economic aid and investment. We believe President Traore, in office since 1968, is responding to unavoidable economic realities and a growing realization that the Soviets will not provide desperately needed economic assistance. [redacted]

Background

Impoverished Mali gained independence from France in 1960 under the leadership of leftist President Modibo Keita, who ruled until 1968. Keita, like many African leaders in the immediate postindependence period, admired the Marxist-Leninist model of a single, elite party and believed socialism was the solution to Mali's ills. He combined a centralized one-party political system with socialist policies based on extensive nationalization of the agriculturally based economy. Keita also forged close military ties to the USSR and withdrew Mali from the French political community and the African franc zone, with debilitating consequences for the economy. Academic studies show that Keita's ambitious development plans quickly ran afoul of Mali's peasants, who opposed collectivization, and traders, who disliked restrictions on free enterprise. As a result, black-market activities increased, the foreign debt grew to five times that of the national budget, and the failure of the government to provide substantial incentives for peasants to increase their production led to a growing distrust of governmental policies in rural areas. By 1968, the government faced severe internal discord between young, radical officials and more moderate French-trained military officers and bureaucrats; farmers produced only for subsistence; and workers endured rising inflation, salary cuts, and new taxes. [redacted]

Keita was ousted in 1968 in a bloodless coup by junior officers led by Moussa Traore, who is now in his 16th



Figure 8. President Moussa Traore. [redacted]

year as Head of State. Traore sought to improve relations with France, without straining his ties to the USSR, which continued to provide significant military assistance. Traore labeled his ruling ideology "progressive" rather than socialist and publicly supported a mixed economy. He moved very gradually in trying to make the public sector more efficient, according to the US Embassy, realizing only in the late 1970s that state companies—Keita's legacy—faced such serious managerial and financial difficulties that real reform could no longer be postponed. [redacted]

Traore, who has weathered three coup attempts over the years, has begun a lengthy transition from a military to a civilian form of government, according to the Embassy. In 1979, he created a single ruling party, the Democratic Union of Malian People, and was elected President for a six-year term. Party officials now dominate key government positions, although the US Embassy notes that the military remains Traore's main power base. [redacted]

The Soviet Connection

Despite Traore's less-doctrinaire ideology, Mali's relationship with the USSR has remained steadfast until recent years. Moscow provides minimal economic assistance, but promotes ties through provision of

Secret

Mali

— Region boundary
 ⊙ Region capital
 —+— Railroad
 - - - Road

0 200 Kilometers
 0 200 Miles

ALGERIA

MAURITANIA

TOMBOUCTOU

GAO

NIGER

BURKINA

BENIN

GUINEA

SIERRA LEONE

LIBERIA

IVORY COAST

GHANA

TOGO

NIGERIA

Reggane

Taoudenni

Tidjikdja

Kiffa

'Ayoûn el 'Atrous

Néma

Kankossa

Sélibaby

Nioro du Sahel

Kayes

Bafoulabé

Kita

Kolokani

Koulikoro

Bamako

Bougouni

Kouroussa

Faraneh

Kankar

Odienné

Beyla

Touta

Nzérékoré

Man

Nara

Nampala

Mourdiah

Niono

Djénna

San

Koutiala

Sikasso

Ferkessédougou

Bouaké

Boua

Bobo-Dioulasso

Pô

Bawku

Tamale

Sokodé

Blitta

Ibadan

Lac de Kossou

Lake Volta

Volta River

Niger

Ansongo

Ménaka

Dori

Namey

Dogondoutchi

Dosso

Fada-N'Gourma

Kantchari

Kandi

Parakou

705110 (A05190) 6-85

25X1-

Secret

arms and military training, party-to-party relations, and student scholarships. The USSR continues to be the only supplier willing to gratify Mali's desire for expensive and relatively sophisticated weapons. In our view, Mali faces no immediate regional security threats; the regime's desire for advanced equipment stems largely from the country's martial traditions.

[redacted]

[redacted] the Soviet Union, as Mali's principal military supplier, has provided equipment from 1974 to 1983 valued at \$166 million, including T-34 tanks, six MIG-21 and 21 MIG-17 fighter aircraft, and MI-8 helicopters. [redacted]

[redacted] about 50 Soviet military advisers were in Mali in 1984. An unknown number of Soviets advise Malian pilots, according to the attache, and perform all major maintenance for the Air Force. Moscow also provides some training to the Malian security service. [redacted]

[redacted] the Soviets first offered such training in 1981; five Malian security officers returned to Bamako two years later, after six months of KGB training, [redacted]

[redacted]

In addition to its military support to Mali, Moscow has fostered ties to the ruling party, encouraging Malian party members to attend the Soviet Communist party school in the USSR. The first group of Malian party functionaries trained by the Soviets returned home in 1983, [redacted]

[redacted] According to the US Embassy, some 100 Malian students attended schools in the USSR in 1984. [redacted]

In our judgment, Soviet military aid not only carries favor with its armed forces—the key political force in the country—but also advances Moscow's military interests in West Africa as a whole. The US defense attache reports that the Soviets for several years have been lengthening runways at the airfields in Gao and Mopti to approximately 3,000 meters—too long for current Malian needs—and that SA-3 surface-to-air missiles are deployed at these airfields. The US Embassy believes the airfields could be used to transport Soviet arms and supplies to client states in southern Africa or even Latin America. US Embassy reporting a decade ago indicated that Mali was among several left-leaning African states that allowed

Soviet cargo aircraft to transit their territory in 1975 when Moscow mounted an emergency arms ferry to Angola to stave off the defeat of the faction that now rules in Luanda. [redacted] 25X1

Signs of Change

The US Embassy reports that despite Mali's heritage of socialism and close ties to the Soviets, Bamako has been expanding contacts with the West since 1980, primarily with France and the United States. Mali also has moved toward more pragmatic and market-oriented economic policies. In international forums, the public record shows that Mali increasingly takes US concerns into consideration, although it still prefers to abstain on most sensitive East-West issues. Moreover, in spite of continued Soviet security aid, political relations with Moscow have cooled in recent years, according to the Embassy. [redacted]

Economic Liberalization. According to the US Embassy, the government genuinely is attempting to liberalize the country's socialist economic policies, with strong support from the IMF, the World Bank, and Western donor countries. In 1982, the IMF granted Mali a \$34 million standby credit on the basis of its promise to implement more efficient economic policies, and a year later Mali received another \$42.3 million standby credit. While the IMF has praised Bamako's efforts, Fund officials point out that the Malians so far have enacted only preliminary structural changes. [redacted]

25X1

Mali's economic adjustments, according to the US Embassy, are aimed at stimulating agricultural production, reducing public spending and debt, liberalizing domestic trade, and improving the efficiency of state enterprises. So far, Mali has:

- Reduced government involvement in the marketing of cereal grains and increased prices paid to agricultural producers.
- Adopted a more realistic currency exchange rate.
- Reduced subsidies on food and fuel for urban dwellers.
- Tried to cut public spending that does not contribute to economic development.

Secret

Secret

Table 3
Mali: Selected Economic Indicators

Million US \$
(except where noted)

	1979	1980	1981	1982	1983 ^a	1984 ^a
Trade balance	-203.5	-292.2	-236.9	-213.6	-167.7	-179.4
Exports (f.o.b.)	147.1	204.9	153.8	119.5	165.5	184.4
Imports (c.i.f.)	350.6	497.1	390.7	333.1	333.2	363.8
Services (net)	NA	-40.8	-39.4	-39.9	-40.9	-35.4
Private transfers (net)	32.4	33.2	29.5	28.7	24.1	21.6
Public transfers	87.8	145.9	129.6	93.0	107.2	121.4
Current account balance	-82.3	-153.9	-117.1	-131.8	-77.3	-71.8
Capital (net)	103.3	117.4	75.1	103.1	91.1	NA
Overall balance	-20.8	-32.2	-38.6	-2.5	4.0	-9.1
External debt, medium and long term	712.6	842.7	965.7	1,024.0	1,130.0	NA
Real GDP growth (percent)	NA	-1.0	-2.0	4.0	2.0	1.8
Debt service ratio (percent)	7	15	8	23	32	35
Inflation (percent)	-8.3	7.1	11.0	8.8	7.9	8.1

^a Estimated.

Although Bamako has tried to liquidate some inefficient state enterprises, only three of the 27 companies so far have been sold to the private sector. []

The government's program was dealt a serious blow this year by the worst drought of the past 10 years. Food shortfalls are increasing, and Mali will have to rely on donor aid for at least the next several years. The US Embassy believes Bamako has coped fairly well with the drought, although government efforts at alleviating suffering are hindered by poor logistics and congestion at coastal ports through which international food aid must pass to landlocked Mali. []

Moderates Gain Influence. Western-oriented technocrats have been appointed to key ministerial positions in recent years, according to US Embassy reports. For example, in a 1982 cabinet shuffle, Oumar Coulibaly—who played a key role in negotiating Mali's first IMF standby agreement and who is Traore's principal economic adviser—assumed the crucial post of Minister of State for Economics and Planning. The move toward technocrats continued in 1984, when Col. Amadou Diarra became Minister of State for Planning and Djibril Diallo became Minister of State for Industrial Development and Tourism. We

believe that their appointments reflect the ascension to power of moderates and indicate the government's continuing disillusionment with the socialist model. []

Warming Relations With France and the United States. Franco-Malian relations have improved, as demonstrated by Traore's state visit to France in 1982—his first since coming to power—and Mali's rejoining the African franc zone two years later.⁵

⁵ Thirteen formerly French territories, in addition to Mali, are members of the French-backed African franc zone. Other members are Benin, Burkina, Cameroon, Central African Republic, Chad, Comoros, Congo, Equatorial Guinea, Gabon, Ivory Coast, Niger, Senegal, and Togo. The African member states receive monetary stability and accept conservative French monetary and banking policies in place of national control. Zone arrangements protect France's privileged trade by setting effective ceilings on imports by Africans from outside the zone and from the EC, and minimum levels for certain imports from France. African issuing banks must hold their members' pooled currency reserves and foreign exchange earnings in French francs in a French treasury account into which receipts are credited and payments debited. Member states ordinarily cannot impose exchange controls or revalue their currencies without the consent of all parties, and they are obliged to follow the lead of France in these areas. []

Secret

Secret

Mali: Economic Reality Drives Change

Two decades of socialist economic policies have failed to promote economic growth, according to US Embassy reporting. Mali is one of the poorest countries in Sub-Saharan Africa, with an annual per capita income estimated by the United Nations at \$180. Periodic severe drought and endemic government mismanagement have devastated production of food crops, as well as cotton, which is the principal cash crop and source of export earnings. World Bank data show that per capita food production declined steadily in the 1970s even as the population grew by an estimated 2.7 percent per year. Drought ravaged Mali from 1968 to 1974, and again is afflicting the country this year. UN and Western donor estimates suggest that about one quarter of the country's 7.7 million people may face famine in 1985.

Mali's long-term economic prospects are grim. With the exception of cotton, cattle, and peanuts, Mali has few exportable commodities. A poor infrastructure further hinders development efforts. And while Bamako is fairly optimistic about oil prospects in the north, it has failed to attract Western petroleum companies who are willing to make the significant financial commitment to explore and develop the reserves.

Mali does have the potential to feed itself, although drought and desertification are barriers. Western agricultural specialists note that some 40 percent of Mali's farmland is cultivable—as contrasted with 12 percent in Niger, which had been self-sufficient in cereal grain production in the early 1980s. Bamako's most prominent agricultural effort is the \$1 billion Manantali Dam project on the Senegal River, which is a joint project with Mauritania and Senegal. Bamako hopes the dam will irrigate its Sahelian zone and enable Mali to become self-sufficient in food. Cost overruns—the project was estimated originally at \$582 million—and funding problems may delay the 1988 target date for completion. Moreover, some observers question whether there will be enough water, because of the low river levels, for the dam to generate electricity.

According to the US Embassy, France's refusal in 1980 to continue to support the Malian franc outside the framework of the African franc zone, as it had since 1962, was a major impetus for the Traore government to turn to the IMF and to embark on economic reform. Paris is Mali's main bilateral aid donor—providing at least \$40 million annually, according to US Embassy reporting—as well as its main trading partner. In 1984, France provided 51 percent of Bamako's total imports and took 17 percent of its exports. French investment, however, has been insignificant, although small amounts of French private capital are a component of most new foreign investments in Mali, according to the US Embassy. Despite government encouragement, Mali's inadequate banking system, shortage of entrepreneurial ability, and geographic isolation hinder further French and Western investment, in the view of most observers. []

25X1

Mali has begun to look to France for military aid as well. Indeed, according to US Embassy reporting, Bamako would like to increase arms acquisitions from France as it gradually reduces dependence on Soviet arms. France now maintains only one military attache in Bamako, and provides approximately \$1 million in annual military aid, making Paris a distant second to the USSR in this area. Only a small number of Malian soldiers are undergoing training in France.

25X1

[] Mali hopes France will extend credit for military purchases, which Bamako otherwise could not afford. Paris, however, intends to demand cash for future arms sales, according to the Embassy, and any sales will depend upon Mali's ability to arrange third-party financing. In our estimation, Mali is most likely to look to conservative Persian Gulf states for such financing, especially Saudi Arabia. As a Muslim state, Mali may believe the Saudis would underwrite Bamako's Western shift.

25X1

25X1

Senior Malian officials have been telling US officials over the last several years that Bamako wants to improve bilateral relations with Washington. They

25X1

Secret

Secret

also have expressed considerable satisfaction with the US AID program and appreciation for US emergency food assistance—the United States will provide some 34 percent of all food contributions this year, according to Embassy reporting. We believe Bamako will look increasingly to the United States for food aid as drought and agricultural shortfalls continue.

The United States provides 12 percent of Mali's total imports and purchases about 1 percent of its exports.

Cooler Relations With the USSR. Although Malian-Soviet relations are outwardly correct, political relations have cooled over the last four years and private tensions continue, according to the US Embassy. Traore's recent travels to the West—including West Berlin in the face of Soviet pressure not to go—contrast with his failure thus far to schedule an official visit to the USSR in response to a longstanding invitation. In addition, the official press has criticized the Soviet treatment of Malian students in Moscow.

In the past few years, Bamako also has questioned the value of its military ties to the Soviets, which form the core of the bilateral relationship. The US Embassy has reported frequent complaints by Malian military personnel about the quality of Soviet equipment as well as long delays in delivery of weapons.

Malian military trainees resented the condescending attitudes of the Soviet advisers in Mali. some Malians training in the USSR resented not being allowed to handle advanced Soviet equipment, unlike their Angolan and Cuban counterparts.

Mali, is also irritated with the Soviets' 20-year-old gold mining operation at Kalana, whose production is unprofitably

low from Mali's perspective. The Soviets have been smuggling gold out of the mines for several years, the Malian Government discovered illegal gold shipments in 1967, 1974, and 1981. Bamako did not openly protest, however, for fear of jeopardizing its access to Soviet military hardware and spare parts.

Pace of Change: Determining Factors

We believe that both the pace and substance of Mali's shift toward the West will be slow and fragile, reflecting a government commitment that is pragmatic, but far from firm. How far Mali leans toward the West will depend on such factors as Traore's hold on power, the success of economic reforms, and reactions of both the United States and the USSR and its allies.

We believe the trend toward greater pragmatism in Mali depends heavily on the continued dominance by Traore and his key supporters. We agree with the US Embassy that, although Traore has had some shaky periods in his 16 years in power, he appears to be in control for now. Trade unionists and students, the principal urban elements displeased with the belt-tightening associated with economic reform, lack the resources and unity to challenge the government. We do not know of any significant faction of pro-Soviet officials in influential military or government positions who oppose the trend toward economic liberalization and closer ties to the West. We further believe that Traore's consensus style of government offers limited opportunities for radicals to influence directly the decisionmaking process.

Nevertheless, we believe that Traore still will face some pressure from those lower ranking military officers and bureaucrats—including holdovers from the Keita era—who have a vested interest in the parastatal system. Junior officers trained in the Soviet Union also may become troublesome. While US Embassy reporting consistently suggests that Malians trained in the USSR return home disillusioned, we cannot dismiss the possibility that at least some of them are committed to following Soviet economic and

Secret

Secret

political models. In addition, some see their opportunities for self-advancement and personal gain curtailed by Traore's efforts to give his regime a civilian cast. []

Economic. We agree with the US Embassy's judgment that the process of economic reform is made more difficult as the economy continues to deteriorate and resources shrink under the weight of drought and the legacy of socialist inefficiency. Traore has and, in our view, likely will continue to proceed very cautiously with dismantling the state enterprises to avoid increasing social stresses and alienating key interest groups. The state sector is Mali's largest employer and traditionally has absorbed some 90 percent of university graduates, according to government data. Public salaries consume about 80 percent of the budget and must be cut. []

The regime has taken some modest steps to reduce public-sector employment, but the need to find alternative sources of employment is one of Traore's biggest challenges. In early 1984, according to the Embassy, the government laid off approximately 1,000 workers as part of an IMF-recommended reduction of the state sector, only to grant a 10-percent wage hike to remaining public-sector employees a few months later to help them make ends meet. Nonetheless, the regime has introduced a civil service examination for university graduates, instead of hiring them automatically as in the past. Moreover, graduates are first encouraged to seek employment in the private sector. This sector, however, offers scant opportunity and we believe the swelling population will once again place pressure on the government to absorb workers into the state system. In addition, the contracting economies of Ivory Coast, Nigeria, and Libya—traditional sources of unskilled and semiskilled jobs for more than half a million Malians—are causing many nationals to return home and swell the ranks of jobseekers. []

The West. In our judgment, the extent of future Western, especially French, support for Mali's economic reforms will be an important element affecting Mali's retreat from socialism. So far, the prospects are not promising. US Embassy reporting suggests that French economic aid and investment will not increase significantly in the near term. Moreover, US

Embassy reporting indicates that French assistance for the deteriorating economies of Ivory Coast and Senegal takes priority over Mali, where France has fewer interests. []

The Soviets. The Soviets almost certainly will continue to try to limit Mali's moves toward the West. As Mali's principal supplier of military equipment and training, the Soviets are well positioned to influence Mali's security officials, party cadres, and university students through training in the USSR and through the presence of Soviet personnel stationed in Mali. [] the USSR has adopted a long-term plan to bring Malians "back to socialism," mainly by educating a new corps of Malians receptive to Soviet ideas. []

The Soviets also have sought from time to time to stir up antiregime sentiment. In 1981, for example, Mali expelled a Soviet military attache on charges of having been in contact with coup plotters. At the coup plotters' trial, the government presented evidence of Soviet incitement of dissident students two years earlier, and of Soviet funding for antigovernment propaganda. Malian officials believed the Soviets hoped to destabilize Mali and make it unattractive to prospective Western investors, []

[] Malian concern over Soviet subversion also appeared in 1984 when two Soviet diplomats on home leave were asked not to return to Mali. According to the US Embassy, Mali accused the diplomats of trying to incite students at a teachers college in Bamako. []

The Libyans. While we have no evidence that the Libyans are actively proselytizing Malians or subverting the Traore regime, we believe Libya may seek to undermine France's position in Mali if, in Tripoli's view, Bamako's Westward shift goes too far. Although Chad, Sudan, and Niger are Libya's priority targets, according to Embassy reporting, Tripoli in recent years has sought sporadically to stir opposition to the Bamako government by Mali's Tuareg peoples. We further believe that Tripoli may recruit sympathizers from the 1,000 to 2,000 Malians who work in Libya. []

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Outlook

Mali most likely will continue to move slowly toward the West. We judge it likely that Traore will stay in power, but may come under slowly mounting pressure from bureaucrats with vested interests in the public, if not socialist, sector of the economy. He has maintained the support of the armed forces even while giving his regime a more civilian cast. We believe that as long as Traore remains in power, present trends will continue slowly—experimentation with economic reform, closer ties to the West, and a somewhat more balanced foreign policy. []

In our judgment, Malians for now seem willing to give Traore the benefit of the doubt as he pursues IMF austerity programs. Despite the IMF's public optimism that these programs will position the country for economic growth, the economy continues to deteriorate, particularly because of severe drought. If noticeable improvements are not soon evident, we believe Traore will come under increasing pressure to modify his reformist tack. Continued economic decline will undermine Traore's support, and the potential for a successful coup or assassination will grow. []

Continued Western food and other economic aid will be critical to Traore's ability to pursue a gradual shift to the West. In the absence of significant Western military help as well, however, we believe the Soviets will retain important leverage because of Bamako's unpaid arms debt and continuing military dependence on Moscow. As a result, we expect the Traore government will try to steer a careful path between East and West, with no dramatic lessening of Soviet influence or abrupt shift to the West in Mali's votes in international forums. []

Other Scenarios. Less likely, in our view, is a palace coup, probably motivated by growing economic distress. Such a coup would not necessarily represent a rejection of Mali's Westward shift, although the process could be slowed or altered. Most of Traore's key colleagues who might be involved in such a coup appear to us to be moderates, although pro-Soviet officers might in time acquire greater influence. In any case, a new senior military government would continue to be dependent on the West for economic aid and food assistance and on the Soviets for arms, which we believe would argue for continued pragmatic dealings with both East and West. []

We cannot rule out, however, the possibility of a junior officers' coup that might create a situation affording wholly new opportunities for exploitation by the Soviets or the Libyans. Such a scenario would be more likely if inexperienced and ill-educated junior officers assumed power and tried to emulate the nationalist revolutions in neighboring Burkina or Ghana. A radical coup would hinder US efforts to promote economic reform in the region—as other regimes would fear implementing austerity programs—and could give Moscow a psychological victory. Libya might also gain a new foothold for meddling in the area. We believe, however, that a majority of Malians do not want a return to the Keita-style radicalism of the early 1960s and that such a regime would not have lasting public support. []

On balance, a regime of radical junior officers would face the same serious economic problems as the present government and we believe they would find it necessary to cooperate uneasily with the West to assure continued economic aid. As a result, we would expect such a new government to try to play down its radical intentions as well as its connections with the Soviets or the Libyans. []

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Guinea-Bissau

Secret

Appendix C

Guinea-Bissau: Looking Westward

Guinea-Bissau gained independence from Portugal in 1974 after a 14-year, Soviet-supported guerrilla struggle that helped spark the revolution in Portugal and the decolonization of all Portuguese Africa. Faced with a deteriorating economy and unworkable socialist policies, President Vieira's military regime has attempted since 1982 to attract from the West the economic assistance it has failed to get from the Soviets. [REDACTED]

The US Embassy reports that moderates in the government have successfully encouraged it to give freer rein to private enterprise and market forces, improve relations with the United States, Portugal, and other Western donors, soften Bissau's anti-Western rhetoric, and establish a voting record more favorable to the West in international forums. In our view, the ability and willingness of Western governments, particularly Portugal, to keep providing crucial economic assistance will largely determine the extent of Bissau's continued movement toward more West-leaning policies. Direct US leverage, however, is restricted by its modest bilateral economic aid program. [REDACTED]

Background

The African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC)⁶ initiated in 1961 its guerrilla struggle against 500 years of Portuguese colonial rule. With strong Soviet backing, the PAIGC's campaign quickly became the most successful anti-Portuguese struggle in all of Lisbon's African possessions. By the early 1970s, according to US Embassy reporting, the PAIGC controlled much of the countryside, where it set up an effective civil administration despite the presence of more than 30,000 Portuguese troops in urban areas. A coup in

⁶ Most of the PAIGC's intellectual and political leaders were from Cape Verde, a group of small islands 640 kilometers off the west coast of Africa. [REDACTED]



Figure 10. Brig. Gen. Joao Bernardo Vieira, President of Guinea-Bissau. [REDACTED]

25X1

25X1

Portugal in 1974 by officers returning from Africa and frustrated with the unending colonial war led to independence by 1975 for all of Portugal's African possessions. The PAIGC immediately established a socialist-leaning, pro-Soviet, one-party government over both Guinea-Bissau and Cape Verde. [REDACTED]

25X1

In 1980, a coup by ethnic Bissauans established separate governments for each sovereign state. Economic domination by Cape Verdeans in Guinea-Bissau and their predominance in the party had led to discord despite close collaboration between the two peoples in the liberation struggle. The coup also was fueled, according to the Embassy, by resentment of corruption and steady economic deterioration under the state-dominated economic system. Brig. Gen. Joao Bernardo Vieira in 1984 was elected President of Guinea-Bissau for a five-year term under a constitutional form of one-party government—the party retaining its original title, PAIGC—with an elected popular assembly. [REDACTED]

25X1

25X1

The Soviet and Libyan Connection

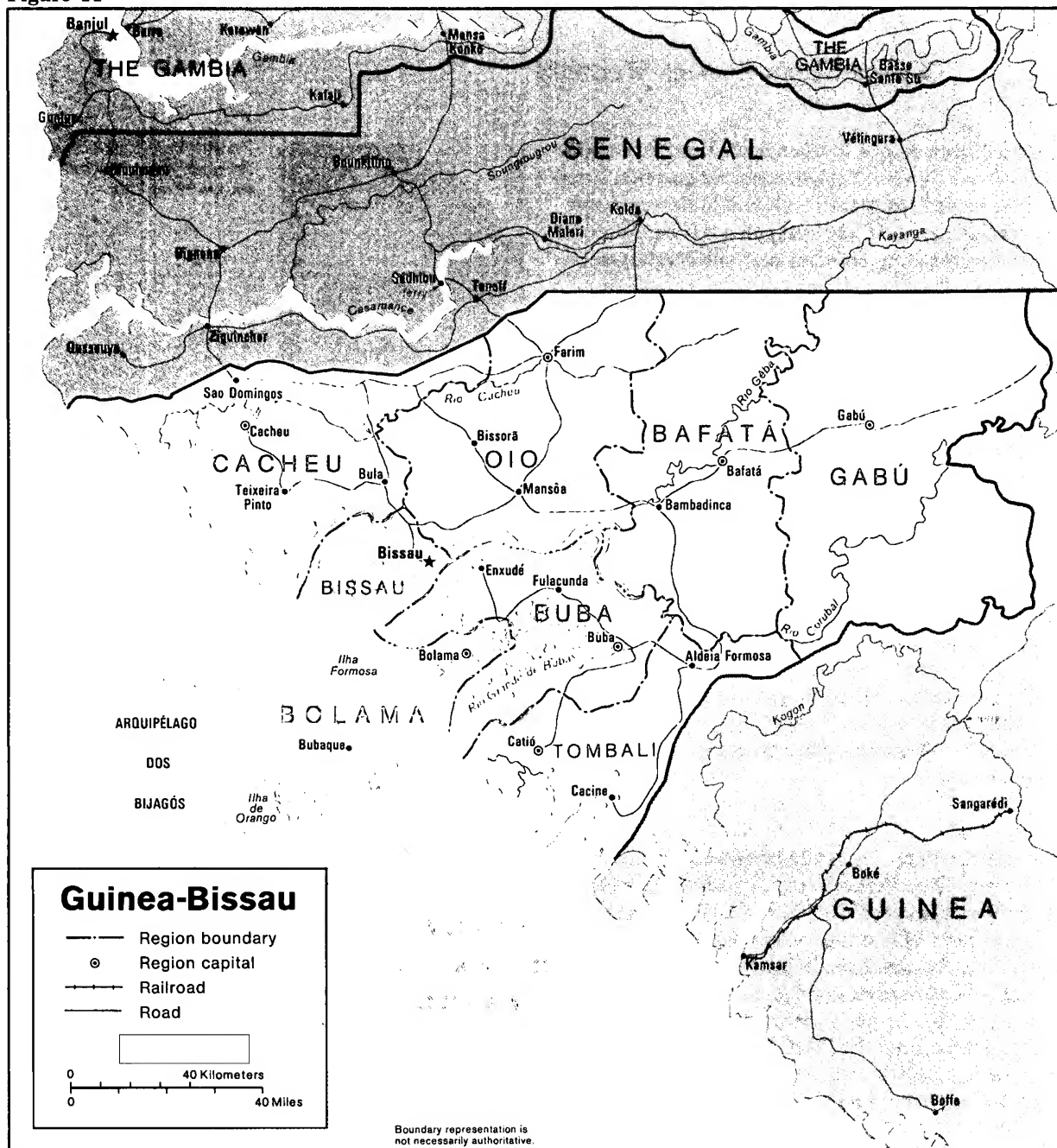
The Soviets effectively used the anticolonial struggle to strengthen ties to Guinea-Bissau. Senior Bissauan leaders, especially those who participated directly in

25X1
25X1
25X1

Secret

Secret

Figure 11



705111 (A00771) 6-85

25X1

Secret

Secret

the guerrilla war, still feel indebted to the Soviets for Moscow's support during their fight for independence, according to the US Embassy. The colonial period left a legacy of suspicion against the West as a whole for its political support to Portugal, a member of NATO. PAIGC leaders, many of whom were educated in the Soviet Union, saw Moscow as the only counter to Western colonialism and sought to emulate its socialist political and economic teachings following independence. []

The Soviet Union continues to be the principal supplier of military assistance, technicians, and advisers to Guinea-Bissau. Since independence, Soviet arms deliveries have included MIG-17 and MIG-21 fighter aircraft, T-54 and PT-76 tanks, trucks, armored personnel carriers, and howitzers, according to the US Embassy. The Embassy estimates that there are 55 Soviet military advisers in Bissau, and perhaps 150 civilian technical advisers. The 350 scholarships offered by the Soviets to Bissauan students in 1983 exceeded the combined total of all Western academic and vocational scholarship assistance provided to the country, most of which has come from Portugal. There are frequent exchanges of delegations between Bissau's ruling party and the Soviet Communist party, according to the US Embassy, and Vieira visited Moscow in 1981. [] 25X1

According to US Embassy reporting, Moscow hopes to obtain formal military air and naval access rights, beyond simple port calls, which successive Bissauan governments have refused to grant. []

[] would put the Soviets far closer to the mid-Atlantic shipping routes. Such access also would give Moscow a forward supply facility for aircraft and ships en route to southern Africa. []

Notwithstanding their denial of military air access, [] since 1981 the Bissauans have undertaken extensive improvement of the country's main airfield, which when completed will be capable of supporting large civilian and military aircraft. The improvements are similar to work that is under way at two remote airfields in Mali, where, we suspect, the Soviets have limited air access rights. The US Embassy in Bamako believes the work

reflects contingency planning by the Soviets, who may hope that the airfields could be used if required to help transport arms to client states in southern Africa or even in Latin America. [] 25X1

The US Embassy reports that besides access to air and port facilities, other Soviet objectives in Guinea-Bissau include keeping the country in the African socialist camp, assuring continued Bissauan support of Soviet positions in international forums, and upgrading presently limited trade ties. The Soviets also value continued access to rich fisheries off Guinea-Bissau, according to Embassy reporting. Moscow has spent nearly \$30 million in economic aid and \$40 million in military assistance between 1975 and 1982 to Guinea-Bissau. [] 25X1

The Libyan Connection. Libya's revolutionary credentials and offers of financial and military assistance have given Tripoli access, but have not yielded significant influence since establishment of diplomatic relations in 1975. Although Libya has delivered some munitions and supplies, [] 25X1

[] Vieira recently ignored a military cooperation agreement an aide had signed with Tripoli and refused to provide Libya unlimited air access for fear of jeopardizing financial aid from Saudi Arabia and Kuwait, according to the US Embassy. Bissau impounded a shipment of Qadhafi's "Green Book" in 1984, and expelled the Libyan charge in 1981 for bankrolling political activity among the country's Muslims, who comprise 35 percent of the population and who had opposed the PAIGC during colonial times. The US Embassy reports that Bissauan delegations to Tripoli over the past three years have failed to obtain implementation of military training and other assistance agreements, which we believe may lead to further downgrading of relations. [] 25X1

Tentative Moves Westward

Since 1982, according to the US Embassy, the Vieira government has begun to modify unworkable Marxist economic policies to give more scope to market forces and private enterprise. Ties have warmed to Portugal, [] 25X1

Secret

Secret

the United States, and the European Community generally, while relations with the Soviets have lost some of their former intimacy. []

Pressures for Change. The US Embassy observes that misguided socialist economic policies in the 1970s, whose effects were reinforced by world economic recession and prolonged drought, left Bissau in no better shape in 1981 than at independence. Bissau's leaders inherited an economy that was undeveloped by the Portuguese and devastated by war. Then as now, the country's meager export earnings were dependent on the production of peanuts and fishing, with most of the population of 842,000 engaged in subsistence agriculture. The country has experienced a decade of disappointing economic growth, low agricultural productivity, and chronic balance-of-payments deficits. []

We agree with US Embassy reporting that Vieira has been forced to modify his country's socialist policies and to turn more to the West primarily in search of additional, desperately needed aid—at least probably \$80 million annually, according to recent US estimates. Moreover, as early as 1982, according to the Embassy, the government realized it could not attract aid from Western governments and the IMF without making major adjustments in the socialist economy. []

The US Embassy reports that Moscow's tight-fisted economic aid policies have added to Bissau's willingness to turn Westward. Bissau privately claims that the Soviets have not abided by the terms of a bilateral fishing agreement, according to the Embassy, which underscores the growing belief among local observers that the country's commercial and trade relations with the Soviets have been one-sided. In addition, []

[] For example, Soviet-supplied MI-8 helicopters are grounded for lack of spare parts. []

Signs of Change

Among signs of government movement away from radical policies are the promotion of moderates to

Guinea-Bissau: A Legacy of Economic Decay

The violent struggle for independence, coming after decades of general neglect by the Portuguese colonial authorities, left Bissau with virtually no productive facilities and restricted growth and development. In addition, Portuguese colonial policies, according to the US Embassy, cut the country off from the outside world and denied it policymaking and managerial capabilities. At independence Bissau possessed one industrial concern, a brewery. []

Socialist policies, however, have not lifted Bissau from the ranks of the poorest nations of the world. Estimated GDP per capita is under \$200 per year and only 5 percent of Bissauan workers earn a salary. The US Embassy estimates that agriculture—mainly the cultivation of rice and peanuts—accounts for about 50 percent of annual GDP, 85 percent of the country's employment, and about 60 percent of annual exports. The industrial sector remains undeveloped and accounts for only 10 percent of GDP. Only 30 percent of arable land is farmed and more than 70 percent of the annual agricultural production is illegally marketed outside the country because of low government producer prices. []

The Embassy reports that Bissau's economic troubles include:

- *Chronic budget deficits and a sharp reduction of imports and exports in recent years.*
- *Debt service payments equal to 50 to 70 percent of imports, an extreme shortage of hard currency reserves, and chronic balance-of-payments deficits.*
- *Severe shortages of all essential commodities, services, and trained technical and management personnel, and a thriving black market.*
- *A burgeoning inflation rate, which the IMF put at 53 percent annually. []*

Despite these figures, the US Embassy believes that long-term prospects for growth and development are encouraging. The country has rich, underutilized arable land; a demonstrated potential in fishing, in timber, peanut, and palm oil production; and some promise of oil and bauxite deposits. []

Secret

Secret

Table 4
Guinea-Bissau: Selected Economic Indicators

Million US \$
(except where noted)

	1980	1981	1982	1983	1984
Trade balance	-49.8	-38.1	-57.6	-48.5	-48.8
Exports (f.o.b.)	11.3	13.9	11.8	8.6	20.7
Imports (f.o.b.)	61.1	52.0	69.4	57.1	69.5
Current account balance	-26.4	-23.1	-35.2	-25.1	-27.5
Gross foreign reserves	NA	15.1	8.4	7.6	9.1
External debt	64.6	96.3	134.7	163.1	193.0
Real GDP growth (percent)	1.0 ^a	2.0	-2.0	-11.0	6.0
Inflation (GDP deflator) (percent)	NA	11.6	16.5	23.4	52.9
Debt service ratio (percent)	16	8.6	22.5	26.4	51.2

^a Estimated.

25X1

influential positions in the government, warming relations with the United States and Portugal, and a more moderate international stance. []

Moderate Reformers and Economic Change. Key indicators of change in Guinea-Bissau, according to US Embassy reporting, are the ascendancy of moderates in the Vieira government and the regime's adoption of a potentially significant program of economic reform. In a series of Cabinet shuffles since 1982, Vieira has shunted aside ministers known or suspected to oppose closer ties to the West, including former Foreign Minister Samba Lamine Mane and economic overseer Vasco Cabral. More moderate technocrats now hold key portfolios, such as Minister of State for Defense Camara and First Deputy President Correia. Despite a purge in 1984 in which former Prime Minister Saude Maria was sacked for alleged coup plotting, Vieira kept on Saude Maria's colleague, Finance Minister Montero, largely because he was a moderating influence who had the confidence of international financiers. []

Largely as a consequence of these newly promoted moderates, Bissau adopted an IMF-supported economic stabilization program in 1983. According to government planning documents, the program, covering the 1983-86 period, aims to reduce budget deficits

and foreign debts, improve the performance of state-owned industries, give more leeway to private enterprise, and stimulate the production of food and cash crops. The US Embassy reports several other steps, including a more flexible monetary policy that began with a 50-percent devaluation in 1983 and is continuing with weekly adjustments. Public spending has been reduced through a government-wide hiring freeze and restrictions on nonpriority expenditures. Prices paid to agricultural producers have been increased between 77 and 144 percent, and prices of imported consumer goods raised to deter import demand and reduce the country's import bill. Moreover, the government has authorized private retailers to engage in domestic trade for the first time since independence. These moves have led to a \$1.8 million IMF first credit tranche and a \$6 million World Bank credit, the latter earmarked to revamp the bureaucracy. []

Warming Relations With the United States and Portugal. US Embassy reporting indicates that as Bissau's economic plight has worsened since 1982, senior Bissauan leaders have shown increasing interest in closer cooperation with the United States and

25X1

25X1

25X1

Secret

Portugal. Most recently, according to the Embassy, a senior official privately praised aid cooperation between the United States and Portugal; the two countries are jointly helping to revitalize Guinea-Bissau's private sector and to build up credit facilities for agriculture and industry. []

Relations with the United States are good, according to the Embassy, despite a falloff in US bilateral aid from \$8.4 million in 1983 to \$2.6 million in the current 1985 program. []

[] Trade with the US has been modest, as imports from the United States increased from \$300,000 in 1977 to \$3.9 million in 1981, but Bissauan exports to the US are negligible. According to the US Embassy, President Vieira is seeking an official invitation to visit the United States. []

Relations with Portugal, Bissau's principal bilateral source of assistance and its main trading partner, have improved considerably in recent years, according to the US Embassy. Portugal publicly claims to have provided \$53 million in development aid since 1975, and its most recent aid program includes a \$3 million line of credit and generous repayment terms on Bissau's \$17 million debt to Lisbon. Imports from Portugal grew from \$10.2 million in 1978 to \$29.5 million in 1982. Warmer bilateral relations are reflected in Vieira's visit to Lisbon last year, which reciprocated Portuguese President Eanes' 1982 visit to Bissau. In 1984, []

[] The Vieira government also has accredited a Portuguese military attache and has received some military training from Lisbon. []

In addition to the United States and Portugal, Guinea-Bissau has improved ties to France. Most recently, according to the US Embassy, France has sent a military attache, and provided some military training and a grant of a French Alouette II helicopter. []

Less Intimate Soviet Ties. Although the Soviets still enjoy a privileged position in Bissau, the US Embassy reports that irritations in the relationship have led to

steadfast rejection of Soviet blandishments for increased access to port and air facilities. []

[] Soviet racism, heavyhandedness, and other interpersonal frictions between Soviets and Bissauans have further soured the relationship. According to the Embassy, some local observers believe the government's reluctance to proceed with a Soviet-proposed bauxite mining facility reflects Bissau's fear that Moscow would use the project to introduce more personnel into the country. []

[] Bissau may revoke its deepwater fishing agreement with Moscow because of Soviet poaching, and grant these rights to the Chinese instead. The US Embassy reports that China will construct five to six fishing vessels for Bissau. []

International Stance. The US Embassy believes that the regime is beginning to understand that it must reciprocate the West's gestures if it hopes to retain Western aid and confidence. In recent meetings with US diplomats, for example, Bissauan officials have expressed greater willingness to take account of US sensitivities in international forums. During the 1984 UN General Assembly, for example, Bissau refused to criticize the United States by name every time an appropriate issue came to a vote. The local press also has begun to carry fewer items supplied by Soviet bloc press agencies and now uses some Western wire service material as well. []

How Far Will Guinea-Bissau Go?

Bissau's Western movement has been neither swift nor certain, despite clear evidence of change. Over the next several years, the pace and duration of Guinea-Bissau's turn to the West probably will be determined by radical-moderate struggles within the government, the West's response to the turn, and possible Soviet efforts to reverse the trend. []

Political Considerations. In our view, the balance of power between moderates and hardliners within the government and ruling party will be crucial to the continuation of Bissau's pragmatic trend. We agree with the US Embassy that Vieira has outmaneuvered

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

his rivals and appears to be in control, at least for now. The US Ambassador believes that leftists have not recovered from recent purges and that Finance Minister Montero and other key moderates will continue to work to improve ties to the West. []

According to the US Embassy, Vieira believes that good economic relations with the West can be achieved at no expense to close military relations with the East. Nonetheless, he has hedged his bets by incrementally moving hardline radicals out of positions of influence in the party and government. Periodic purges of officials—usually based on personality conflicts and suspected presidential ambitions of rivals rather than ideological disputes—have rarely caused grumbling because most are rehabilitated and return to the government. Moreover, because Vieira has consulted and cooperated with a wide selection of advisers on virtually every issue, no one has built an independent base to challenge Vieira's policies or authority. []

We believe Vieira and his fellow moderates will have to contend with continued maneuvering and foot-dragging by hardliners who have maintained their traditional contacts with the Soviet bloc. In our judgment, leftist ideologues probably are reluctant to jeopardize their revolutionary credentials, have a vested interest in the existing state economic system, and may fear that reforms could prove too painful over the short run for the regime and populace to bear. For example, Bissauan delegates to Soviet bloc functions have at times embarrassed Vieira with their blasts at the United States, according to the US Embassy. []

Western Response. We believe that the willingness and ability of the West to provide additional aid will influence the extent of Bissau's moderation. The Vieira government told Western representatives at a donors' conference in 1984 that it needed at least \$648 million if the economic stabilization and development program was to work. So far, according to the US Embassy, Western donors have earmarked only about \$60 million in economic aid over the next four years. []

Although Portugal is the preeminent Western aid donor, we believe Portugal's own underdeveloped and

depressed economy, along with competing demands of other former Portuguese African colonies, restrict Lisbon's ability to increase its economic and military aid. Joint Portuguese and US aid projects are designed to end in a few years and will not give Lisbon and Washington a long-term position of influence in Bissau. In addition, we believe the limited market potential for Portuguese and US companies probably will work against a significant increase in trade and investment. []

The Soviets. We believe Vieira is mindful of Soviet sensitivities and probably calculates that he cannot move toward the West too quickly for fear of jeopardizing Bissau's major arms supply, which could spark grumbling within the armed forces. By all accounts, Western military aid only supplements, and is a long way from replacing, Soviet commitments. []

We believe Moscow will tolerate a certain amount of reorientation by Bissau provided it stays within limits that do not jeopardize Soviet interests. In our view, the Soviets probably are resigned to Bissau's acceptance of Western aid, realizing the limits of their own ability to provide sufficient assistance. Some Soviet writers recently have suggested in Soviet journals that acceptance of Western aid does not interfere with the developing countries ultimately choosing to strive for Communism. These writers also suggest that such countries inevitably will look to the USSR as a counterweight to the "forces of imperialism" and that the Soviets should exploit such opportunities as they arise. []

At a minimum, we expect the Soviets to maneuver behind the scenes, using financial support, subversive tactics, and offers of new military aid to improve the fortunes of the regime's leftists. For example, [] the Soviets may have delivered four MIG-21 fighter aircraft to replace MIG-17s that were lost earlier in the year during a maritime border dispute with Senegal. In our view, Portuguese Communist party members attached to various government ministries as technical advisers could assist the Soviets in frustrating further movement toward the West. []

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Outlook

Vieira and his fellow moderates are likely to continue to pursue cautious economic reforms designed to increase government efficiency, stimulate the private sector, and improve ties to the West. Even so, we believe that Bissau's turn toward the West under Vieira or any successor regime probably will be limited in scope and pace, involving only as much change as the regime believes necessary to encourage Western donors. Bissau's leftist heritage and the need to keep the country's various factions in check will forestall the complete abandonment of socialist ideology or the elimination of Soviet influence. Although Bissau probably will soften its stance on some issues in the United Nations to avoid antagonizing the United States directly, we suspect the country's voting pattern will continue to be driven more by its desire to maintain solidarity with the Nonaligned Movement and African "progressive" states and avoid direct involvement in East-West controversies. []

25X1

Alternative Scenarios. Vieira's handling of the reaction to economic reform by both the people and the ruling elite will pose risks for him over the short and medium term. Instability could rise if Vieira misreads his ability to guide the country through a period of austerity until the IMF program improves living standards. Moreover, Vieira's leftist critics would have ample ammunition if the level of Western aid fails to meet Bissau's expectations. Should he succumb to potentially increased leftist influence while managing to cling to power, we believe the regime probably would begin to reevaluate its flirtation with the West. []

25X1

Should Vieira be ousted by the military, we believe that the policies of a successor regime would depend on the rank, ideology, and political maturity of the coup leaders. In our view, a chaotic period would ensue regardless of who takes over, affording the Soviets an opportunity to use their military relationship to try to obtain naval and air access rights. We would expect, however, that Bissau's new rulers would face much the same economic quagmire as their predecessors. After gaining a clearer understanding of the depth of the country's economic problems and of the limited prospects for obtaining meaningful non-Western sources of aid, we believe the new leadership would feel pressure to come to terms with the West in search of needed economic assistance. []

25X1

Secret

/

Congo

Secret

Appendix D

Congo: Limited Move Toward the West

Shortly after independence from France in 1960, Congo turned sharply to the left and established close ties to the Soviet Union. In the late 1970s, however, growing economic problems and irritation at the lack of Soviet development aid caused Brazzaville to look for more assistance from the West, particularly France. In recent years, under President Sassou-Nguesso, Congo has quickened the pace of its move toward the West. Nevertheless, Sassou's commitment to Third World ideology, the importance of Marxist controls to political stability, fears of fostering serious opposition from leftists, and need to maintain access to Soviet arms work against more fundamental change. []

Background

At independence, Congo was governed by an elite drawn from the majority Kongo tribe in the south. It was headed by President Youlou, whose corruption and blatantly pro-French policies led to antigovernment demonstrations and his resignation three years later. Youlou was succeeded by another southern-led government under President Massamba-Debat, who, the US Embassy reports, fell under the influence of a powerful leftist clique. Massamba-Debat established a ruling Marxist party, a nascent state-run economic sector, and a pro-Soviet foreign policy. His efforts to consolidate power sharpened ethnic and regional differences and led to an extended power struggle culminating in the installation in 1968 of a northerner, President Ngouabi. []

Ngouabi, in what the US Embassy viewed as an attempt to centralize control, proclaimed Congo Africa's first "peoples republic" in 1970. Ngouabi kept Congo in the African franc zone, however, and continued to gradually improve relations with the West in search of more investment and aid. His assassination in 1977 led to two years of rule by President Yhomby-Opango who was replaced by current President Denis Sassou-Nguesso in the first nonviolent change of government since independence. Although Sassou came to power with the support of hardline leftists in



Figure 12. President Denis Sassou-Nguesso. []

the military and has spouted standard Marxist rhetoric, he has generally followed a more moderate course than Congo's other military presidents. []

In our view, ethnic loyalties, regionalism, and ideological differences are the major divisive elements in Congolese politics. Tribes have traditionally vied both among themselves and between north and south for control of the central government. We agree with the US Embassy that northern military leaders' skillful use of Marxist political controls has played a critical role in allowing the northern elite to consolidate power and reduce the traditional influence of the country's better educated and more numerous southerners. Northern military leaders have also used Marxism to bridge ethnic rivalries, mobilize the population, and maintain public order. []

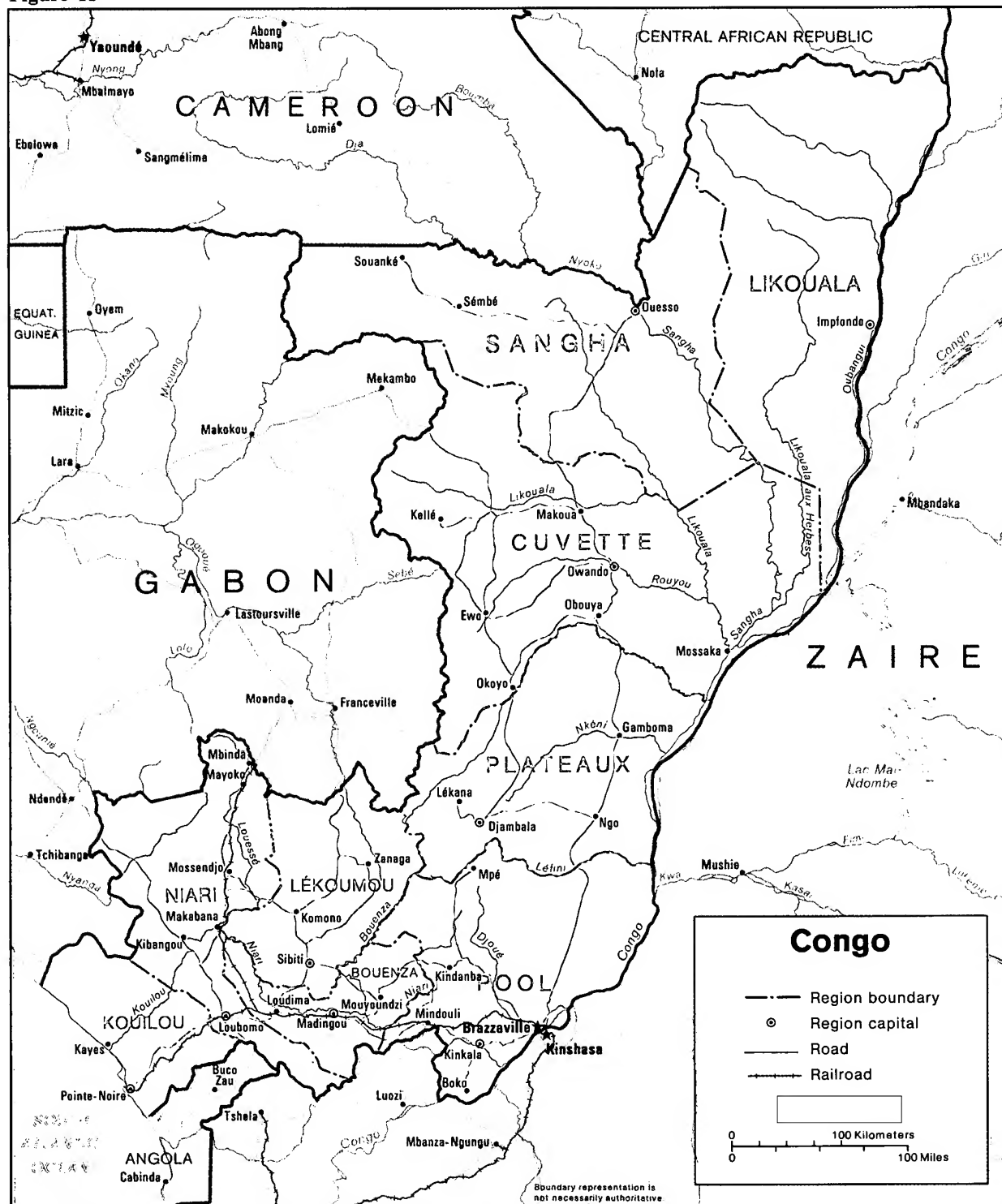
Soviet Influence

In our view, the USSR has both political and military aims in Congo, one of the few African states to have a formal treaty of friendship and cooperation with Moscow. We believe the Soviets' principal objectives are to limit Western and Chinese influence, to keep Brazzaville on a socialist path, and to garner its support in international forums. In addition, Embassy

Secret

Secret

Figure 13



705108 (A05189) 6-85

25X1

Secret

Secret

reporting indicates that, despite repeated refusals by several Congolese presidents, Moscow still hopes to acquire naval base rights at Pointe Noire and conclude a mutual defense treaty under which it could intervene at Congo's request. We believe the Soviets seek base rights as a contingency should Moscow lose access to neighboring Angola, where Luanda serves as the primary support site for Moscow's small West African naval patrol and periodic Soviet TU-95 naval reconnaissance in the south Atlantic. []

From the Soviet perspective, Congo also serves to support Cuban military operations in Angola, according to the []

[] Moreover, Pointe Noire's airfield is used to support logistics operations for Cuban units in Cabinda as well as to support routine movement of Cubans to and from Angola. []

Moscow's influence in Congo, as in other African countries, rests on its military assistance program. After establishing diplomatic relations in 1964, Moscow quickly displaced France as Congo's principal arms supplier. We estimate that, since the mid-1960s, Moscow has delivered \$200 million in military equipment, including at least 23 MIG-21 fighters and eight MI-8 helicopters. We estimate that the Soviets have 340 advisers assigned to Congo's military and security organizations. The USSR also provides military training for the Congolese in the Soviet Union and in Cuba, according to the US Embassy. []

In addition to military assistance, the Soviets have an active political and cultural exchange program that includes the frequent exchange of party delegations. According to the US Embassy, the Soviets provided approximately 80 scholarships last year, down from a high of 150 in 1983. Over 1,200 Congolese are studying in the Soviet Union and some 800 in Cuba. []

Communist economic aid and trade with Congo is minimal. The US Embassy estimates there are about 300 Soviet civilian technicians in Congo, mostly in the health and education sectors. Cuba, East Germany, and Bulgaria also provide some civilian technicians. We estimate that the Soviet Union has provided some

\$12 million in economic aid over the past five years. Bilateral trade over the past five years has been fairly stable at \$5-8 million annually. []

25X1

Trend Toward Moderation

In a search for Western aid and investment, Sassou has made some efforts to liberalize the economy, reduce Congo's dependence on the Soviet Union, and occasionally to adopt more nonaligned positions. In our view, these trends have become especially noticeable in the past year as Sassou's political position has become stronger and the economic situation has worsened. Brazzaville's pragmatism, in our judgment, is motivated by its belief that increased Western investment and aid are critical to economic development, particularly after its modest oil resources are depleted—which could occur as early as the 1990s. []

25X1

25X1

25X1

25X1

25X1

[] long delays in the delivery of spare parts, and Moscow's recent insistence on advance payments for services. The Congolese have told US Embassy officials that they are unhappy with the quality of Soviet military training, which they said emphasizes political indoctrination at the expense of practical skills. []

25X1

Among the signs of Sassou's moderating course, according to the US Embassy, is the appointment of political moderates in the last several years to several influential government positions in an effort to encourage greater Western aid and to diversify the country's sources of military supply. As a result, diplomatic and economic ties to France and the United States have improved significantly in the last three years, according to the Embassy. []

25X1

25X1

Ascendancy of Moderates. Sassou has engineered personnel moves in recent years that have significantly strengthened the moderate faction at the expense of pro-Soviet ideologues. Sassou finally succeeded in establishing his political dominance during the last

25X1

Secret

Secret

Congo: The Economy at a Glance

Although Congo calls itself socialist, the US Embassy reports that private-sector trade and manufacturing—mostly French owned—constitute about 80 percent of all economic activity. The rest of the economy is closely tied to numerous inefficient and overstuffed state enterprises that are a serious drain on the treasury. Most of the country's population, however, still engages in subsistence agriculture. The economy is based predominantly on the production of petroleum, which provides about 90 percent of Congo's exports and about two-thirds of government revenues, with exports of timber and cash crops making a small contribution to GDP. Congo, with estimated reserves of 1.6 billion barrels, is black Africa's fifth-ranking oil producer, averaging about 4.5 million metric tons in 1984. The economy also benefits from Congo's location at the crossroads of transit trade to and from Zaire, Central African Republic, Chad, and Gabon. Customs receipts provide government revenues while service and transport industries provide extensive employment. [redacted]

Congo has suffered a significant economic downturn in the past two years, according to US Embassy reporting, because of lower-than-expected oil revenues, poor performance of state enterprises, and excessive short-term borrowing to finance development. Led by the petroleum sector, real GDP growth averaged nearly 18 percent annually from 1979 to 1982, and the Sassou government embarked in 1982 on a

\$3 billion five-year development plan, heralding it as the blueprint for economic development against the day when oil runs out, possibly as early as the 1990s. [redacted]

Problems began in early 1983, the US Embassy reported, when the soft world oil market, oil production problems, and increased production costs caused oil earnings to fall 20 percent below expectations. Meanwhile, the growth rate of the nonoil sector also fell substantially as state enterprises incurred major payment arrears. Real GDP growth declined sharply to 3.6 percent in 1983, and outstanding external debt has tripled since 1979 to \$1.7 billion—equivalent to three-fourths of Congo's GDP. In addition, according to the Embassy, for the first time in recent years oil revenues in 1984 were not sufficient to cover all of Congo's public debt payments, and oil receipts due in early 1985 probably will only cover arrears through last November. According to the US Embassy, debt service and salaries during the next two years are likely to absorb all oil revenues, leaving investment under the five-year plan totally dependent on external financing. The Embassy reports that Sassou has begun to take steps to rein in Congo's ambitious development plan in recognition that the government will have to follow austere policies for at least the next two years. As a result, urban unemployment and business failures have increased. [redacted]

party congress in July 1984, when he was unanimously elected to another five-year term as President and party chairman. He also maintained control of the Army, and gained authority to control the security apparatus, to personally appoint the party's political bureau, and to supervise cabinet ministers. [redacted]

Sassou's cabinet now is composed primarily of pragmatic technocrats who appear to support his efforts to improve relations with the West. The US Embassy indicates that Sassou's boldest move during the party congress was the ouster of Thystere Tchicaya, the party's leading leftist ideologue who was widely viewed as the second most powerful figure in Congo

after the President. [redacted] Tchicaya was removed on charges of coup plotting, but many supporters believe he was framed so that Sassou could remove a key leftist. After the party congress, the Embassy reports, several ideologues—some with close Soviet ties—were demoted or removed from senior government positions, including the prime minister, foreign minister, minister of interior, and a senior military officer. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Table 5
Congo: Selected Economic Indicators

Million US \$
(except where noted)

	1979	1980	1981	1982	1983	1984 ^a
Trade balance	133	365	269	393	417	618
Exports (f.o.b.)	496	910	1,073	1,108	1,067	1,193
Petroleum	344	727	951	977	959	1,086
Imports (f.o.b.)	363	545	805	715	651	575
Current account balance	-99	-166	-498	-443	-393	-219
Gross foreign reserves	NA	95	130	42	12	NA
External debt	1,086	1,218	1,272	1,515	1,689	NA
Real GDP growth (percent)	NA	17.7	24.0	13.0	3.6	3.1
Inflation (GDP deflator) (percent)	NA	20.3	21.2	16.3	9.1	4.4
Debt service ratio (percent)	11.7	8.9	22.8	25.3	25.5	23.4

^a Estimated.

[REDACTED]

25X1

[REDACTED]

Moves To Liberalize the Economy. The US Embassy reports that, despite opposition from ideologues, Sassou has undertaken a number of moves to encourage private enterprise. He created a Ministry of Small and Medium Size Enterprises last year, which appears to be playing a central role in efforts to increase Western trade, aid, and investment. During a recent trip to the United States, Alphonse Poaty, head of the new ministry, stressed Congo's desire to liberalize its economy to a number of private bankers, IMF officials, and the World Bank. The Embassy also indicates that Brazzaville plans to establish regional chambers of commerce to cut redtape, to improve communication between small businessmen and the government, and to encourage foreign and domestic venture capitalism. Moreover, the investment code—already one of the most liberal in black Africa—will be revised to make it even more attractive. [REDACTED]

The US Embassy reports that Sassou has expended large sums to restructure and improve management of state enterprises. For the past two years, the government has sought to improve the performance of the 10

most important state firms by reducing the number of managers and emphasizing the need to show a profit. The government also lifted its monopoly on marketing agricultural crops and increased producer prices to boost low production. [REDACTED]

25X1

25X1

Diversifying Military Suppliers. Unhappiness with the quality of Soviet military equipment and training has led the Congolese armed forces to seek Western equipment and training, according to the US Embassy. Two years ago, Congo purchased 60 trucks and six coastal craft from France and three patrol boats from Spain. The Embassy also reports that in the next few years Congo plans to purchase additional French-made transport equipment, including a C-130 aircraft. Moreover, last year more military personnel received training in France than in the Soviet Union, a trend that Brazzaville hopes to continue, according to the Embassy. [REDACTED]

25X1

Growing French Economic Role. In recent years, Congo has further strengthened commercial ties to France, traditionally its chief economic partner and

25X1

Secret

benefactor. We believe the election in 1980 of a Socialist government in France facilitated closer collaboration between the two countries, and Sassou has met with President Mitterrand four times since the latter's election. France and other European Community states supply over two-thirds of Congo's imports and purchase 20 percent of its exports as well as providing almost all of Brazzaville's development assistance. []

The Embassy reports that since 1981 France alone has accounted for slightly more than half of Congo's total annual imports. There are some 500 French technicians in positions throughout the Congolese Government, in addition to the 7,000, private French citizens who, as expatriates and employees of French multinational corporations, dominate the private sector. The French-owned ELF-Congo is the major petroleum producer and is responsible for marketing most of the country's crude oil. []

Improved Relations With the United States. Congo's commercial dealings with the United States have increased significantly during Sassou's tenure. Total Congolese-US trade grew in 1984—to a record \$1 billion, making the United States one of Brazzaville's leading trading partners and Congo the third largest US trading partner in black Africa, according to the Embassy. Over 95 percent of this trade consists of Congolese crude and refined petroleum products purchased on the spot-market by American oil companies, which bought four-fifths of Congo's total oil exports in 1984. Congo recently agreed to accept modest food assistance and military educational training for Congolese officers that supplement US development aid, which the US Embassy reports, has averaged \$2 million a year since 1981. American investment in Congo totals approximately \$4 million, and Brazzaville decided last year to award two contracts—one in agriculture and one in energy—worth \$70 million to American companies. []

According to the US Embassy, diplomatic ties to Congo have improved. US officials now have greater access to the media and to senior officials, leading to a greater exchange of views on mutually important issues such as Chad. In addition, Sassou has appointed a resident Ambassador to Washington for the first time, and senior Congolese officials visited Washington several times last year. []

Brazzaville also has assumed a more balanced position on some foreign policy issues. For example, the Congolese press printed a US response to Soviet disinformation over responsibility for the Korean airline shootdown incident and a positive article on President Reagan's recent criticism of South Africa's policy of apartheid. Other examples include Congo's participation in the Los Angeles Olympics despite Soviet pressure, hosting of a reconciliation conference in Brazzaville between the pro-Western Chadian Government and Libyan-backed dissidents, recent efforts to cooperate with Kinshasa to curb Zairian exiles allowed safehaven in Congo, and offering to serve as a channel of communication between the United States and Angola. []

Nevertheless, Congo's actions in international forums have shown no decisive move away from its longstanding alignment with the Soviet bloc and radical African countries. According to the US Embassy, Congo voted against or abstained on every issue of importance to the United States at the United Nations in 1984. In addition, Congo's new foreign minister in his speech before the last UN General Assembly used traditional harsh anti-imperialist rhetoric and indirectly attacked the United States on issues relating to apartheid, Israel, and Nicaragua. []

Limits to Westward Trend

Although Congo clearly wants to remove some socialist impediments to development and foster closer economic relations with the West, we believe future movement is likely to be slow and incremental and will not entail any fundamental abandonment of Congo's self-styled "revolutionary" ideology. In the near term, the pace and direction of the country's trend toward moderation will be influenced by Sassou's need to placate domestic leftists, the Soviets, and the Libyans. Moreover, Western responsiveness to Congo's economic needs will also be important as the economy adjusts to more austere times ahead. []

Domestic. Sassou is facing increased opposition from hardline leftist party officials who feel threatened by his recent moves to consolidate power and improve ties to the West. Sassou created numerous enemies at last year's party congress when he removed or demoted a number of influential hardline officials opposed

Secret

Secret

to improving relations with the West. Sassou also has alienated senior party members by bypassing the party on important decisions. [REDACTED]

In Tchicaya's absence, Pierre Nze, a senior party member with close ties to the Soviets, probably is leading hardline opposition to Sassou. [REDACTED]

[REDACTED] In our view, Nze has support in the politburo—the party's principal decisionmaking body—among other party officials whose vested interests have been hurt by Sassou's efforts to consolidate power. [REDACTED]

We believe Sassou's opponents almost certainly would try to rally wider backing if the economic benefits of his policies do not measure up to popular expectations. Congo's economic recession already has resulted in increased urban unemployment and business failures, which could hurt Sassou politically. In our view, Sassou recognizes that further Western assistance and investment could help limit the economic and political fallout of the austerity that he is likely to try to implement over at least the next two years. The recession, however, probably will constrain significant reform of the state enterprise system because it provides employment for a large number of Congolese. [REDACTED]

Western Aid Levels. In our judgment, disappointment with Western aid levels could sour Sassou on the benefits of closer relations with the West. France appears unprepared to provide additional aid because

of its own budgetary constraints and other more important commitments in Africa. In fact, the US Embassy reports that France recently has pressed Brazzaville to negotiate an IMF program and to reschedule its debt through the Paris Club as a condition for future French aid. According to the Embassy, Paris has threatened to refuse to reschedule bilateral debts, demanded cash payments on military deliveries, and cut off some economic assistance. [REDACTED]

The Soviets. In our view, Sassou's need to stay on reasonably good terms with the Soviets is another important factor that will bear on Congo's tentative moves toward the West. Western reluctance to provide major military hardware and to offer terms competitive with the USSR leaves Brazzaville little choice but to preserve ties to Moscow and access to Soviet arms, a critical element in ensuring Army support for Sassou's regime. Moreover, we believe Sassou is wary of provoking the many Soviet and Cuban-trained Congolese holding government and security positions. In addition, Sassou almost certainly is concerned that Moscow could exploit Congo's regional and tribal tensions should Soviet interests be seriously threatened by Western inroads. [REDACTED]

Although the Soviets probably are confident that internal political constraints will limit Sassou's initiatives toward the West, they recently have been more active in the Congo. The US Embassy reports that the USSR gave exceptionally positive coverage to Congo's last party congress and shortly thereafter delivered previously ordered military equipment, including at least four MIG-21 fighter aircraft and a dozen ZSU-23/4 antiaircraft guns and associated systems. According to the Embassy, the Soviet Union and Congo also have signed a number of minor new economic agreements. [REDACTED]

The Libyans. We believe that the Congolese, who are well aware of Libyan leader Qadhafi's proclivity for subverting his opponents in black Africa, will continue to try to avoid offending Tripoli. [REDACTED] Qadhafi has used Congo as a base of operations against Chad, Zaire, and other moderate central African regimes ever since Libya opened a diplomatic mission in Brazzaville in

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

1982. The US Embassy estimates the Libyan presence to be at least 50, substantially more than needed to administer its small bilateral aid program. []

In addition, Qadhafi apparently has sought recently to increase his leverage with Brazzaville by offering military and economic aid. []

[] The US Embassy reports that Libya and Congo are developing a joint forestry project, and nine Libyans were assigned to security and military positions as of October 1983, []

Outlook

In our view, Congo's recent moves toward the West do not reflect fundamental political change or signal significant economic reform. We believe that the Soviets and Libyans are prepared to tolerate a certain amount of Western involvement in Congo, even as they enhance their influence in the military and the security apparatus. We believe that Moscow's attitude could change, however, if events in Angola were to result in the loss of Soviet access to Luanda. Congo's importance almost certainly would increase significantly, and we would expect Moscow to expend substantial resources to encourage the emergence of a more radical regime in hopes of gaining military access. []

Limited Westward Trend Continues. In our judgment, Sassou genuinely wants good relations with the West but probably cannot move significantly closer to the United States. We believe Sassou's strong nationalist beliefs, his commitment to Third World ideology, and his recognition that Marxist ideology constrains regional and ethnic rivalries work against any fundamental change in Congo's leftist political orientation. Moreover, in our view, the need to maintain Soviet and Libyan goodwill, the memory of four successful coups since independence, and fears of fostering serious opposition from leftists—particularly in the military—limit the President's ability to move closer to the West and to pursue economic reform. []

Nonetheless, we believe Sassou will continue recent efforts to attract more Western economic aid and investment needed both to help weather the current recession and for future oil exploration and development. Consequently, we expect to see continued emphasis on private-sector initiatives to promote development, some limited reforms of the state enterprise system, and further efforts to reduce the influence of ideologues who seek to block Western investment proposals. Less likely, although also possible in our judgment, would be Congo's negotiation of an IMF agreement and adoption of a more nonaligned stance in international forums. At the same time, we believe Sassou will continue to appease ideologues by venting "anti-imperialist" diatribes in the media and international forums, continuing the military supply relationship with Moscow, and tolerating a Libyan presence. []

Other Outcomes. If Sassou does not defuse growing leftist criticism of his actions, Brazzaville could soon undergo one of its periodic power struggles, and, given its turbulent political past and the military's penchant for removing leaders, a coup could occur with little warning. Although we believe that, on balance, key military and security leaders still support Sassou, this support could erode rapidly if living standards continue to fall or if the President shows signs of losing control. Should Sassou's political position deteriorate, he probably would attempt to reach a compromise with hardliners, perhaps by offering to slow Congo's move Westward. An increase in hardline influence probably would result in improved relations with the Soviets, diminish US access to senior Congolese officials, and lead to increased anti-Western rhetoric. []

In our judgment, Sassou's ouster likely would be followed by an initial period of heightened anti-Western rhetoric and actions. Sassou probably would be excoriated for betraying revolutionary goals through his moderate policies. Although Congo's moves toward the West might be slowed or even reversed, we believe whoever rules in Brazzaville would still have to deal with the United States and Western Europe to preserve essential trade, aid, and investment links. []

Secret

Secret

Appendix E

Cape Verde: A Slight Tilt Toward the West

Despite Cape Verde's self-styled socialism and military dependence on the Soviets since independence in 1975, the country's leaders in the early 1980s have proved pragmatic in their foreign policies. The US Embassy reports that, even though Cape Verde maintains close ties to Communist countries and tends to vote against the West in international forums, relations with Portugal, its former colonial master, and the United States have warmed considerably in recent years. We believe Cape Verde's modest Westward movement reflects an increasing awareness by government and party officials that Western aid and investment are crucial to staving off economic ruin. []

Political and Economic Legacy of Colonialism

The dry and resource-poor Cape Verde islands, located 640 kilometers off the west coast of Africa, achieved independence peacefully in 1975 under President Aristides Pereira following the 1974 military coup in Portugal that led to the end of 500 years of Portuguese colonialism in Africa. Pereira was a co-founder of the Soviet-backed anti-Portuguese movement (the African Party for the Independence of Guinea-Bissau and Cape Verde—PAIGC) that fought a successful guerrilla war in mainland Guinea-Bissau; this success was one of the causes of the Portuguese military's resolve to install a government in Lisbon that would sanction decolonization. Pereira's goal after independence, according to US Embassy reporting from that period, was to see Cape Verde federated with Guinea-Bissau as one state. The legal question of unification went unresolved, however, and after a mainland coup in 1980, Guinea-Bissau rejected a federal union. Subsequently, the Cape Verdean wing of the former independence movement was reborn as the African Party for the Independence of Cape Verde (PAICV). []

Pereira came to power committed to a socialist ideology and to governing through a Soviet-style political system. Soon after independence, the Soviets became the new government's principal military supplier. Although nominally nonaligned, Cape Verde associated itself with Africa's pro-Soviet "progressive camp,"



Figure 14. President of Cape Verde, Aristides M. Pereira, with President Reagan in Washington, September 1983. []

which included countries such as Angola and Mozambique. Nonetheless, Cape Verde continued to receive almost all its economic assistance and humanitarian aid from the West, according to the Embassy. []

The Economic Backdrop

Cape Verde is, for all practical purposes, a ward of its aid donors, and, according to World Bank data, per capita income is less than \$400. The islands are overpopulated, have no significant resources, and some 40 percent of the labor force is unemployed. About one-third of the 315,000 population depends on subsistence agriculture for a living despite persistent drought that has devastated farming. In addition to agriculture, the government is the largest employer of Cape Verdeans, often on public works projects financed by foreign aid. []

Cape Verde's foreign trade is in chronic imbalance. According to a recent academic study, earnings from its principal exports of seafood, salt, and bananas typically cover only 5 percent of the cost of imports,

25X1

25X1

25X1

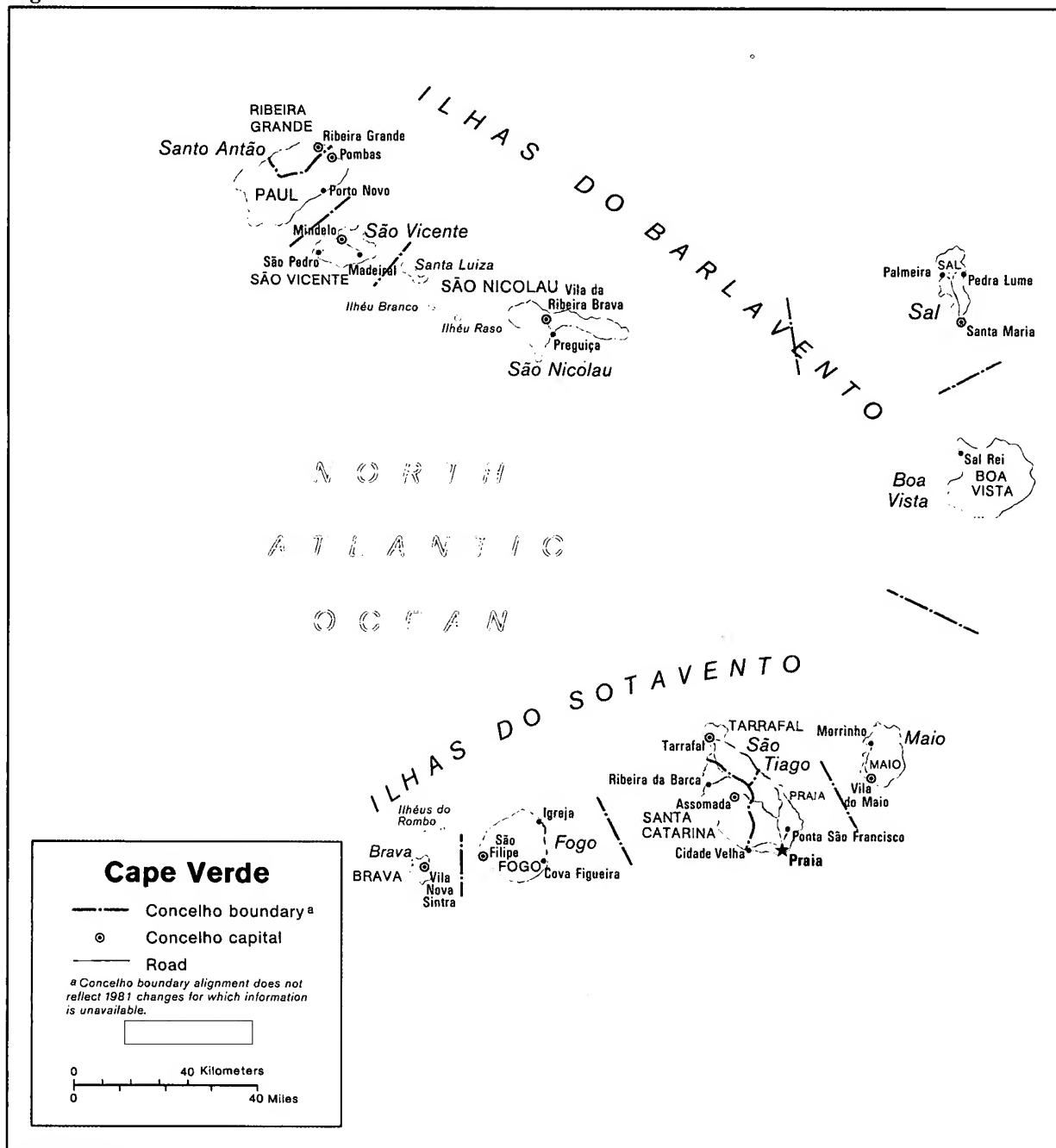
25X1

25X1

Secret

Secret

Figure 15



705106 (A05191) 6-85

25X1

Secret

Secret

Table 6
Cape Verde: Selected Economic Indicators

Million US \$
(except where noted)

	1978	1979	1980	1981	1982 ^a	1983 ^a
Trade balance	-54.5	-67.0	-72.3	-80.0	-69.0	-61.0
Exports (f.o.b.)	3.0	4.1	9.1	6.1	32.0	36.0
Imports (f.o.b.)	57.5	71.1	81.4	86.1	101.0	97.0
Net services and transfers	24.9	29.5	46.7	36.0	29.0	28.0
Current account balance	-29.5	-37.5	-25.6	-44.0	-40.0	-33.0
Gross foreign reserves	37.8	41.5	43.2	38.6	43.0	34.0
External debt	15.9	16.8	20.4	39.4	60.4	67.2
Real GDP growth (<i>percent</i>)	5	6	5	13	15	3
Inflation (general price index) (<i>percent</i>)	17.7	15.1	14.3	20.8	20.7	21.4

^a Export and import figures for 1982 and 1983 include nonfactor services (service payments excluding interest on external debt).



25X1

principally fuel, food, and clothing. The IMF reports that the value of imports in 1981, \$86 million, was 14 times larger than the value of exports; we believe that condition persists.

operating in the central Atlantic. At present, Soviet reconnaissance aircraft operate from Angola and can effectively cover only the South Atlantic and the Cape of Good Hope sea lanes.

25X1

According to the US Embassy in Praia, two-thirds of Cape Verde's GNP comes from foreign aid (largely food aid from the United States, the European Community, and Portugal) and from remittances of some 300,000 Cape Verdeans living abroad, mostly in the United States. Indeed, US citizens or residents of Cape Verdean origin annually send some \$20 million to the homeland, according to the US Embassy. Although emigration and foreign aid have prevented mass starvation, financial flows have not been sufficient to allow the government to implement economic development plans, according to the Embassy.

So far, the Pereira government has consistently refused Soviet requests for a naval base and military air transit rights, according to the US Embassy, despite Cape Verde's dependence on the Soviets for military aid. We believe that recent Soviet deliveries have been limited to modest amounts of ammunition and quartermaster supplies.

25X1

there are 20 Soviet advisers and technicians in Cape Verde who service and provide training in the use of the country's three Soviet-made patrol boats. Approximately 20 uniformed Cape Verdeans study in the USSR each year. Moreover, the Embassy reported that, in 1983, 110 Cape Verdean civilians were receiving technical training in the USSR, and that when they return they often fill senior civil service posts.

25X1

25X1

25X1

The Soviet Connection

In our judgment, Moscow's interest in Cape Verde is largely strategic. The 10 islands that constitute Cape Verde are astride the primary sea lanes between Europe and the Indian Ocean-Persian Gulf area. Military access to Cape Verde's main port of Porto Grande and its international airport at Sal would expand Soviet ability to monitor approaches to the Mediterranean as well as US and other naval forces

The US Embassy reports that Cape Verde does allow Soviet and Cuban civil aircraft to land and refuel at

Secret

Secret

its international airport in Sal. Under the terms of a 1975 agreement, Cuban troops in civilian dress are allowed to transit Cape Verde to and from Angola. The government also allows both Soviet and Western naval vessels to make periodic port visits. []

While we believe the Soviets are most interested in base access, the US Embassy reports that Moscow also continues to urge Cape Verde to maintain its socialist orientation and to support Soviet positions in international forums. In the 1984 session of the UN General Assembly, Cape Verde voted 10 times for resolutions critical of the United States, and abstained or otherwise did not vote with the US on such issues as Afghanistan, Cambodia, and Israeli credentials. []

Other Soviet bloc regimes supplement Soviet activities in Cape Verde with modest educational and military aid programs, according to the Embassy. Almost 400 Cape Verdeans are studying in Cuba, mostly on short-term programs, while 29 attend school in East Germany. Cuba, the only bloc country beside the Soviet Union with an embassy in Praia, provides a small but unknown number of military advisers, some doctors, and security training. []

Libyan Ties

Libya's principal goal in Cape Verde is to obtain use of the country's airfield for refueling of its planes carrying arms to Central America, []

[] Although Cape Verde has refused blanket permission, []

[] the government might accept a more discreet arrangement. []

[]

From Rhetoric to Reality

Ever since independence, the Cape Verdean government has proved more pragmatic than might have been expected in view of the radical background of its leaders and their often fiery rhetoric. We agree with the Embassy that the government has become even less doctrinaire in recent years. For example, the US Embassy reported that resolutions adopted by the last

party congress in mid-1983 were remarkable for not mentioning socialism, while recognizing the "necessity of private enterprise within the primacy of the public sector." The government also has held back eliminating large private landholding and, instead, has distributed small parcels of land to farmers on a limited scale. []

In foreign affairs, one sign that the government is seeking a more balanced foreign policy has been its periodic hosting of talks on a Namibian settlement. By far more telling, however, has been Cape Verde's movement away from a strong pro-Soviet orientation, which has been reflected over the past several years in leadership shifts. Pereira's growing awareness that the West is a more reliable source of assistance led him in 1981 to purge the Cabinet of most radicals favoring closer ties to Moscow. In addition, other officials such as Foreign Minister Silvino da Luz, have begun recently to support diversification of Cape Verde's sources of economic and military assistance. The Embassy also reports that Pereira, disappointed in the marginal benefits derived from interparty relations, has loosened the PAICV's ties with the Soviet Communist Party (CPSU). To our knowledge, Moscow's support for PAICV has not gone beyond professions of good will. []

In addition, the Pereira government has complained privately to US officials about its unhappiness with the lack of greater material support from the Soviets. The US Embassy reports that Pereira has no plans to visit the USSR, and has visited no Communist countries in the last three years. The Embassy also reports that the PAICV decided in closed session early last year to reduce reliance on Moscow for military equipment. Cape Verde has returned to the USSR two Soviet-supplied AN-26 transport aircraft because of their high operating and maintenance costs, according to our Embassy. Trade with the Soviets is negligible; in 1982, nonmilitary imports from Moscow were less than 1 percent of Praia's foreign trade. []

Closer Ties to the West

Once the euphoria of independence had given way to the realities of running a poor country, Cape Verde

Secret

Secret

worked to improve relations with Portugal—its principal trading partner—and the United States. By 1980, Portugal had provided Cape Verde with over \$5 million for construction projects, scholarships, and transportation system improvements, and sent over 50 technical advisers to the country. Pereira repaid Portuguese President Eanes's visit a year earlier with a visit in 1981 to Lisbon, where he was promised additional technical assistance and signed several fishing agreements that further reduced Soviet domination of West African fishing beds. Pereira also signed a military training agreement with Portugal in 1981, effectively breaking the lock on military influence held by Moscow. [REDACTED]

Symbolic visits and some small economic assistance have strengthened US relations with Cape Verde. The US Embassy reports that Cape Verde greatly appreciated two visits to the island by Vice President Bush in 1982 and Pereira's visit to the White House in 1983. In addition, many Cape Verdeans feel a bond with the United States through relatives and friends who reside there. [REDACTED]

US emergency disaster assistance and small amounts of aid and trade have contributed to Cape Verde's closer ties to the United States, according to the Embassy. US development assistance in 1984 amounted to about \$2 million. The United States joined Western efforts in providing emergency disaster assistance last year in response to freak torrential rains. The 1985 assistance package includes a three-year PL-480 program that provides about 15,000 tons of corn annually, agricultural research assistance, and a modest military educational training program. Moreover, we believe that Pereira's recent chairmanship of an international committee on drought control in the Sahel gave him an opportunity to compare favorably the levels of Western aid to his and other countries in the region with Moscow's meager donations. [REDACTED]

Outlook

In our judgment, the Cape Verdean Government and party leaders are primarily driven by security and economic concerns, with ideology a distant consideration. As long as Pereira is in power, the most likely outlook is for the government to cultivate the West for desperately needed food and financial assistance, but to avoid serious offense to Moscow that could jeopardize its military relationship. We doubt, for example, that Cape Verde will radically change its voting record in the United Nations to support the United States. [REDACTED]

25X1

Cape Verde's extreme poverty and dependence on foreign assistance, however, render it vulnerable to pressures and enticements that could swing it either toward Washington or Moscow. Moreover, while the ideological convictions of its leadership appear shallow and subject to change, Pereira's political position and inclinations seem to us strong enough for him to continue the trend toward closer ties with the West:

25X1

25X1

- Cape Verde's need for Western financial assistance will not diminish any time soon.
- Pereira, in our view, faces no serious political challenges because the steady exodus of disgruntled Cape Verdeans has been an important safety valve.
- Pereira's considerable domestic prestige as an independence leader, boosted by his role in facilitating Angolan-South African talks, has checked the influence of the few remaining radicals who favor closer ties to Moscow.
- The President's hand is strengthened by his close ties to the leaders of the 2,000-man Army, dating from independence days. [REDACTED]

25X1

25X1

In our judgment, however, it is equally likely that over the next several years a fence-sitting Cape Verde could move closer to Moscow. A number of factors

25X1

Secret

could push Cape Verde into a higher embrace with Moscow:

- US Embassy reporting from Cape Verde and elsewhere suggests that Western donor interest in Cape Verde is slight, and is largely based on humanitarian concerns and a desire to deny the Soviets access.
- Portugal, the principal Western influence in Cape Verde, is not able to shoulder the burden of economic aid and military assistance that would likely be needed to wean the country from Moscow.
- US Embassy reporting indicates that Pereira monitors closely pro-Soviet elements out of concern that Moscow could try to protect its privileged position by backing the radical minority remaining in the party.
- Pereira cannot dismiss the possibility of Libyan subversion, especially since, according to the US Embassy, he continues to refuse to allow Libyan arms flights to transit Cape Verde on the way to Nicaragua.

The tilt toward Moscow could be more pronounced, especially if either a pro-Western or even a relatively neutral orientation results in little improvement in Cape Verde's economic and security conditions.

25X1-

Secret

Secret

Appendix F

Benin: Limits to Moderation

After following the Marxist-Leninist model for almost a decade, Benin has attempted in the past several years to improve relations with the West. This policy stems from growing concern among Beninese officials over the government's worsening financial position and pressure from both moderate officials in the regime and Western aid donors. In exchange for crucial French budgetary support and high-profile development projects financed by Western donors, Cotonou has softened somewhat its revolutionary rhetoric, undertaken some limited economic reforms, and improved diplomatic ties to Paris and Washington. Nevertheless, we believe that Benin's turn toward moderation is a pragmatic adjustment to severe economic pressures. Radical elements in the regime remain committed to socialism and the interests of their Soviet and Libyan allies, whose influence remains undiminished. []

Background

Regional and ethnic rivalries, a scarcity of natural resources, and a rapidly growing population have hindered economic development and the establishment of national unity in Benin. In the first decade after independence from France, a succession of nine, relatively moderate, civilian and military regimes were unable to deal effectively with the serious economic and social problems that plagued the country. The military coup in 1972 that brought the present regime to power represented an attempt to improve radically the country's fortunes by moving it leftward. The coup leaders—junior and middle-grade Army officers—sought to purge the pro-French ruling elite and create an authentically African identity. They selected Col. Mathieu Kerekou, a former sergeant in the French Army from northwest Benin, to head the new regime. Throughout his tenure, Kerekou has faced the challenge of maintaining his authority over competing factions and settling their ethnic, personal, and ideological differences. []

Kerekou was soon confronted by a small but aggressive group of professed Marxists—young Paris-educated civilians—who gained behind-the-scenes



Figure 16. Col. Mathieu Kerekou, President of Benin.

control of the regime and began to chart its radical political course. By 1975, the government had formally embraced Marxist-Leninism, proclaimed the People's Republic of Benin, and established the People's Revolutionary Party as Benin's sole political party. In the wake of an unsuccessful mercenary attack in 1977, organized by members of the exiled former ruling elite, the radicals reinforced their dominance and brought the regime into a close security relationship with the Soviets, Cubans, and Libyans. An East European-style constitution was adopted, and in 1980 military rule gave way to a Soviet-modeled civilian government. Kerekou became President in civilian dress, and most of his fellow officers retained high positions. []

In the early 1980s, however, the steadily deteriorating economy and pressure from a small but increasingly influential moderate faction prompted Kerekou to initiate a gradual rapprochement with the West. In 1982, Cotonou undertook several development projects financed by Great Britain and Norway. By the end of 1983, the World Bank had opened an office to oversee new projects, Paris and Washington had begun to provide small amounts of military assistance, French President Mitterrand paid an official visit,

25X1

25X1

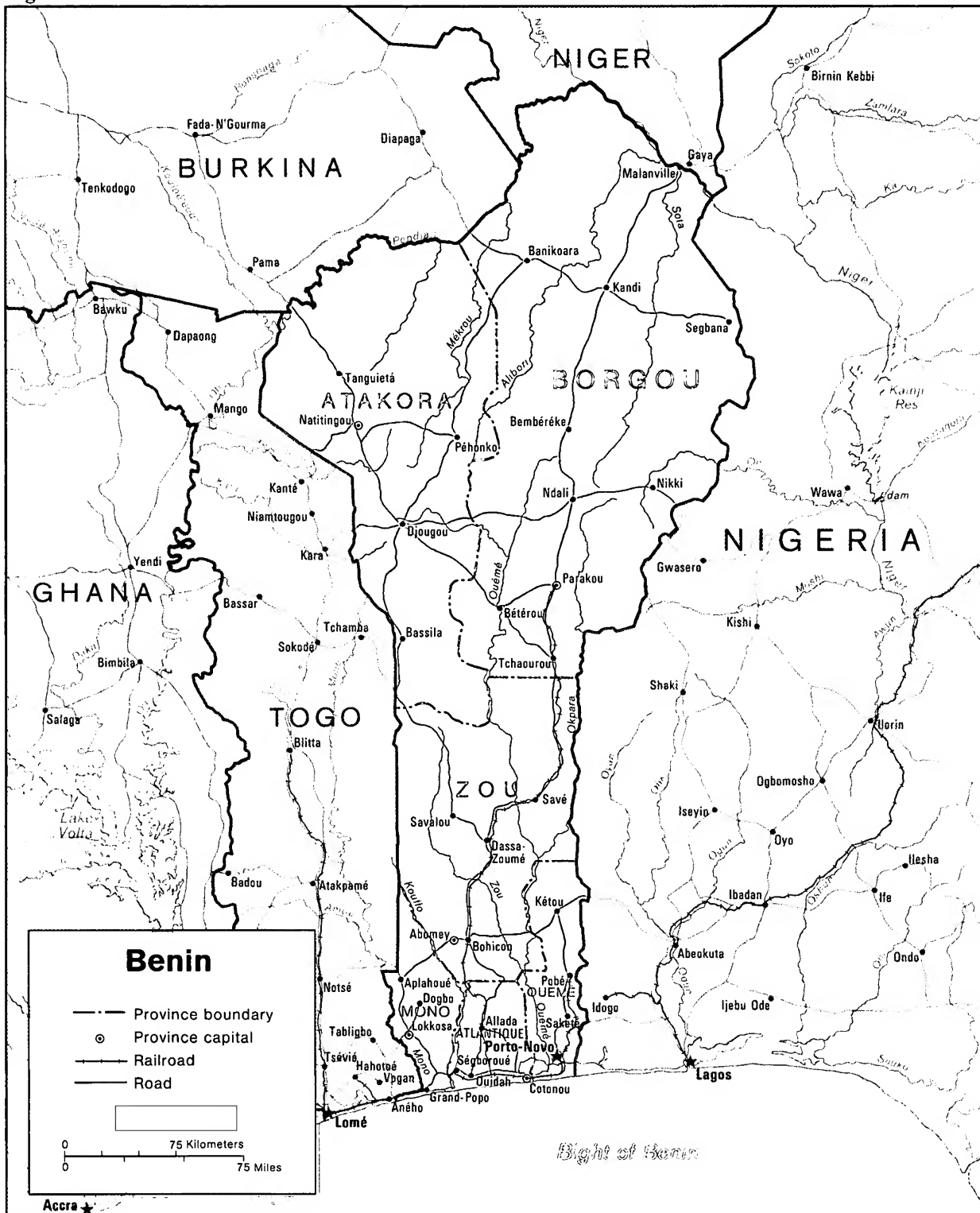
25X1

25X1

Secret

Secret

Figure 17



25X1-

Secret

Secret

and the first US Ambassador since 1976 was accredited to Benin. In 1984, France began to provide budgetary support to the Kerekou government, Washington renewed an AID development project, and Kerekou faced up to economic problems to the extent of publicly acknowledging the need for a new austerity program that would restructure the government and public-sector enterprises. [REDACTED]

Soviet Connections

Despite Beninese courting of Western donors, US Embassy reporting indicates that Cotonou has not abandoned its heretofore closest allies, the USSR and Libya. The Soviets, who initially gained influence with the current regime in the early 1970s by backing a powerful leftist faction, retain ready access to the Kerekou government. According to the US Embassy, the Soviets maintain a sizable presence in Benin consisting of about 150 diplomats, military advisers, technicians, and their dependents. The Soviet Embassy has an active cultural center and commercial office, and an Aeroflot office that handles the weekly flight from Cotonou via Tripoli to Moscow. The official also indicates that the Soviets enjoy easy, and almost exclusive, access to Beninese military personnel and facilities. [REDACTED]

The Soviets enhanced their influential role with the regime in early 1977 by taking advantage of Kerekou's fears following the abortive mercenary attack. Since then, the regime has been almost totally dependent for its internal security on the Soviets, their allies, and the Libyans. Under a security assistance agreement signed in 1977, Moscow provided small arms, training, and other aid—with Libyan financing—to establish an 800-to-1,000-man presidential guard. [REDACTED] there are an unknown number of Soviet and Cuban advisers with the guard unit in addition to 10 North Korean advisers. [REDACTED]

Benin also has an extensive arms and military training relationship with the Soviets. We estimate that Moscow delivered about \$184 million in military equipment to Benin by the end of 1984, and currently provides at least 15 Soviet military technicians to assist the Beninese armed forces. The Soviets recently finished a new headquarters building in Cotonou for the Beninese Navy. [REDACTED]

25X1

The US Embassy reports that the Soviets also are constructing a military airfield some 100 kilometers northwest of Cotonou. If the airfield is built to the proposed length of 3,000 meters, we believe it would be suitable for use by long-range Soviet transport and naval reconnaissance aircraft, which now conduct surveillance of Western naval forces in the Atlantic from Angola. In our judgment, the airfield would provide an alternate site to Cotonou, away from public scrutiny, and could serve as a clandestine transit site—particularly for the Libyans—to support subversive activities in the region. [REDACTED]

25X1

25X1

The US Embassy indicates that Soviet economic and technical assistance is limited to an experimental state farm, small-scale mineral exploration, a fishing project, and several medical technicians and language teachers. A cultural and scientific cooperation agreement signed with Moscow in 1984 provides for some 60 scholarships to Beninese students for study in the USSR, and various cultural exchanges. Cuban aid is limited to student exchanges and some medical and technical personnel providing assistance under a scientific and technical agreement signed with Havana in 1978. [REDACTED]

25X1

25X1

25X1

The Libyan Foothold

US Embassy reporting indicates that Libya also seized on Benin's economic problems and security concerns in the late 1970s to supply significant amounts of financial and military aid, which allowed Tripoli to cultivate close ties to Beninese radicals. Qadhafi's willingness to provide occasional transfusions of hard currency to meet budgetary shortfalls also has won him credit with the financially pressed government. [REDACTED] Tripoli has

25X1

25X1

25X1

25X1

Secret

Secret

bought political favors through bribes to government ministers and overt cash gifts to the government to pay for military equipment and overdue civil service salaries. The US Embassy reports that some 20 Libyans are assigned to Tripoli's People's Bureau in Cotonou, purportedly for joint commercial ventures and economic, social, and cultural projects. According to the US Embassy, Libya has funded the construction of a housing project, several schools, a mosque for the Muslim community—which makes up about 15 percent of Benin's 4 million population—a hospital, and a roadbuilding and repair project. Most recently, Tripoli donated a Boeing 707 aircraft, a fully equipped mobile television studio, and pledged funds for housing projects in the country's six provincial capitals. []

Our review of US Embassy [] reporting indicates that, in return for official subsidies as well as widespread bribes, Cotonou has allowed Tripoli to use Benin as a base for subversion against other governments in the region. From Libya's perspective, Benin offers a strategic location from which Qadhafi can pursue his goals of displacing French influence and creating a pan-Islamic state across the Sahel.

[] Cotonou serves as a transit point for Libyan flights carrying West Africans recruited from a variety of countries—such as Ghana, Nigeria, Niger, and Senegal—to and from Tripoli for work, paramilitary training, and ideological indoctrination. We believe that these Africans, recruited from the ranks of the unemployed in neighboring states, are infiltrated back into their home countries for future use against incumbent governments. According to recent Embassy reporting, Tripoli is again funneling Chadian dissidents from Benin to Libya to help bolster Libyan and Chadian rebel troops occupying northern Chad. Moreover, []

Pressures for Change

The US Embassy reports that the moderation of Beninese policies over the last several years stems from mounting pressure on the Kerekou regime to behave more pragmatically. Increased foreign development aid and investment is needed to arrest the

economy's rapid deterioration under misguided socialist policies. Grumbling in the military over deteriorating economic conditions, pressure from a vocal moderate faction, and fear of neighboring and more powerful Nigeria argue for a measure of moderation. []

Political. Over the years, growing corruption, incompetence, Communist and Libyan backing of radicals, and Kerekou's weak leadership have prevented the regime from dealing effectively with the country's mounting problems. Although Kerekou's 13 years in office have given Benin the appearance of outward stability, the work of government has been plagued by a longstanding power struggle between three factions involving personal and philosophical disputes, tribal rivalries, and a sharp split between the north and the south:

- The "leaguers," a small group of well-educated civilians from southern Benin, are dedicated to radical Marxist ideology. Although lacking a mass base of support, they initially achieved influential positions in the regime and the ruling party by supporting Kerekou's takeover. The leaguers have promoted close ties with the Soviets, Cubans, and Libyans, in return receiving backing from these countries in their domestic political maneuvering.
- The military is made up predominantly of northerners. Many officers and men are frustrated with the meager economic benefits of the country's Marxist experiment under the leaguers. A small group of senior officers, however, has aided the leaguers, largely to advance their own political ambitions.
- Civilian moderates, less radical in their ideology and more numerous than the leaguers, have been gaining some strength at the expense of the radicals as public discontent with failed Marxist policies has increased. They are now pushing for less doctrinaire policies, particularly in the economic realm. []

US Embassy [] reporting indicates that both civilian and military moderates have pressed Kerekou to adopt more pragmatic policies. They are disillusioned with Moscow's limited economic aid and the

Secret

Secret

Table 7
Benin: Selected Economic Indicators


Million US \$
(except where noted)


	1980	1981	1982	1983
Trade balance	-213.0	-139.9	-270.8	-94.5
Exports (f.o.b.)	260.3	368.0	319.5	215.2
Imports (f.o.b.)	473.3	507.9	590.3	309.7
Balance of payments ^a	7.6	56.7	-56.9	-76.4
Net foreign assets	180.3	168.5	219.4	16.3
External public debt	271.3	363.9	559.0	614.8
GDP	861.3	918.4	954.9 ^a	958.7 ^a
Debt service ratio ^a (percent)	3.0	3.9	5.5	25.1
Inflation (GDP deflator) (percent)	16	15	11	10 ^a
Real GDP growth (percent)	9.7	6.6	4.0 ^a	0.4 ^a

^a Estimated.




25X1

quality of its military equipment and training. The threat of a coup by the moderates in 1982 prompted Kerekou to accede to their demands that he replace a number of influential radicals in the Cabinet with more moderate leaders, a process that is continuing, according to the US Embassy. 

The Economy. The US Embassy indicates that the moderates have convinced Kerekou that the government's long-term survival depends upon its ability to arrest the country's economic decline. Benin's weak resource base, coupled with two decades of economic mismanagement, have left it one of the world's poorest countries; its per capita annual income was about \$300 in 1982. According to the US Embassy, the agriculturally based economy—about 80 percent of the country's 4 million population is engaged in subsistence farming—is plagued by endemic drought as well as inefficient state-owned enterprises responsible for collecting, processing, and marketing cash crops. A small offshore oil deposit of some 22 million barrels of recoverable reserves is Benin's only significant mineral resource. Although the government hopes that domestic oil production—which began in 1983—will help ease soaring import bills, World Bank studies project that oil yields will peak this year and that the country will return to being a net oil importer by 1989. 

According to the US Embassy, excessive government intervention, a large and inefficient public sector, and sharp increases in government spending have brought the official economy to the point of collapse. The Embassy notes that:

- Exports—primarily palm oil, cotton, and peanuts—have stagnated or declined, while imports have risen sharply.
- The growth of government spending continues to outpace that of revenues, resulting in growing budget deficits.
- Heavy foreign borrowing for government development projects in the last several years has resulted in a sharp jump in debt servicing charges, and an estimated official debt of \$750 million.
- Overall living standards that rose slowly through the mid-1970s now appear to have declined sharply, possibly to preindependence levels. 

25X1

25X1

Only continued Western foreign aid and black-market trade have enabled Benin to avoid economic disaster, according to US Embassy officials. Western financial

25X1

Secret

Secret

institutions (mainly the World Bank), the EC, and bilateral donors—especially France—account for almost 90 percent of Benin's foreign assistance. []

The Military. Our review of US Embassy and other reporting indicates that in the last several years Kerekou has been under constant pressure from several moderates to stem festering discontent among the ranks of the 3,200-man armed forces. []

[] moderate senior Army officers have been dissatisfied with what they view as the failure of the Marxist experiment, radical influence on the regime, and Kerekou's ineffective leadership. Indeed, senior Army officers have discussed the possible ouster of Kerekou with police officials, high-level bureaucrats, and former politicians who also oppose the regime's unsuccessful socialist policies, according to the US Embassy. We believe these discussions came to Kerekou's attention, and were sufficient to induce him to institute limited reform. []

Discontent also extends to junior Army officers and enlisted men who resent corruption among senior officers and have fewer opportunities for graft to augment their low salaries. []

[] junior officers were dissatisfied with the regime's inability to pay military salaries on time, and [] junior officers have been unhappy over slow promotions. []

Nigerian Influence. We believe that fear of neighboring Nigeria—West Africa's most populous and influential state—also has played a part in Benin's slight turn toward moderation. Nigerian diplomats have indicated to US officials that Lagos is alert to the potential danger posed by the Soviet and Libyan foothold in Benin. According to the US Embassy in Cotonou, Lagos has warned the Kerekou regime on more than one occasion in recent years that it would respond militarily to the introduction of a sizable Soviet presence in Benin. []

Signs of Change

The Cotonou government has taken some modest steps toward moderating its policies in an effort to win crucial Western economic assistance. Kerekou has eliminated several influential radicals from his regime and implemented some tangible reforms of the state-controlled economy, and toned-down anti-Western rhetoric. []

Political Moderation. We believe that Kerekou, in response to mounting pressure for moderation, has strengthened his hand against leftist ideologues in the last several years. He reduced their influence in a cabinet reshuffle last summer in which he eliminated all but one radical from the government—the President of the National Revolutionary Assembly. Staunchly pro-Soviet, the assembly president is unpopular even among his colleagues who regard him as a token leftist retained by Kerekou to placate Moscow, according to a senior officer at the US Embassy. In a recent conversation with the US Ambassador, Beninese Foreign Minister Affo—a former ambassador to Cuba—said that he believes that the majority of his countrymen realize that the socialist states, that is, the Soviets and their allies, are unwilling or unable to provide the aid needed to develop their country, and that Benin instead must turn to the West. []

Economic Reform. According to the US Embassy, the government also has begun to reassess its rigid Marxist economic policies. The Embassy reports that Kerekou and the moderate faction now recognize that excessive centralization and state ownership have resulted in corruption and inefficiency. They are encouraging a limited revitalization of the private sector and more Western trade and investment to stem Benin's accelerating economic decline. []

US Embassy officials note that the government has issued increasing numbers of business permits to small- and medium-sized private companies, invited foreign transport firms to operate in the country, and toned down its anticapitalist propaganda. After soliciting World Bank recommendations on how to reorganize the nearly bankrupt public sector, Kerekou abolished some of the most inefficient among Benin's

Secret

Secret

approximately 60 state enterprises, combined others, and reorganized their corrupt and incompetent top-level management. Moreover, discussions with the IMF, which began late last year for a standby agreement and a rescheduling of the official debt, are continuing. []

Warming Relations With the West. While Cotonou has allowed relations with the West in general to warm somewhat, President Kerekou has placed particular stress on the need for more productive ties to France and the United States, with whom relations plummeted after the 1977 mercenary attack because of Benin's suspicion of Western involvement. We believe that the election of French Socialist President Mitterrand in 1981 helped facilitate Kerekou's efforts to justify closer ties with the former metropole to hardcore leftists by emphasizing the newfound ideological compatibility between Benin and France. Since Mitterrand's visit to Benin in 1983, relations with Paris have improved considerably and high-level French officials regularly visit Cotonou. []

In our view, the willingness of France to provide economic assistance to Benin has been critical to the country's limited trend toward moderation. The US Embassy reports that French assistance to Benin has increased at a rate of about 12 percent a year since the early 1980s and rose about 25 percent in 1982 to \$21.3 million. Paris disbursed about \$4.5 million in budget support in early 1985 to help pay overdue civil service salaries and government operating expenses. France is Benin's largest trading partner—discounting illegal black-market trade with Nigeria—and buys most of Benin's meager exports. []

Paris over the past several years has resumed limited military and security aid to Benin at Kerekou's request, breaking on a modest scale the Soviet and Libyan monopoly in this field, according to the US Embassy. The French have delivered three refurbished C-47 transport aircraft and also agreed to provide training, vehicles, and radio equipment to the Beninese police force. []

Cotonou's relations with the United States also began gradually to improve in the early 1980s. The Beninese Foreign Minister made an official demarche in 1982

seeking to normalize Beninese-US relations, and followed up with specific proposals ranging from visits to Benin by ranking US Government officials to creation of a mixed Benin-US commission to deal with political relations, cultural exchanges, and economic cooperation. The first US Ambassador to Benin since 1976 arrived in Cotonou in 1983 and a military education program totaling \$50,000 was instituted. Most recently, Washington has reinstated a \$6 million water project and increased the Peace Corps presence to some 70 volunteers. []

Limits to Change

In our view, the pace and scope of Benin's turn toward moderation will be limited, however, by domestic political cleavages and Soviet and Libyan efforts to retain their access. We believe the regime's internal divisions preclude the complete abandonment of socialism and the elimination of Soviet and Libyan influence. Although the West's leverage—stemming from bilateral economic aid and support from international financial institutions—is increasing modestly, we believe the West's response to Benin's needs may prove less generous than Kerekou and the moderate faction would like. Moreover, leftists in the government will try to limit this influence with the help of their foreign patrons. At a minimum, we expect the Soviets and the Libyans to maneuver behind the scenes to improve the fortunes of their Beninese clients. []

Political Ferment. In our view, the power struggle between moderate and radical factions will constrain the regime's ability to institute economic and political reforms. Despite the improved position of the moderates in the last years, hardcore leftists appear to us to still wield enough influence to forestall rapid or sweeping policy shifts. The US Embassy indicates that the current financial crisis has heightened political differences in the regime. Opposition to an agreement with the IMF, which probably will not prevent an initial agreement, has surfaced among party ideologues, who believe that the regime's acceptance of

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

IMF conditions, such as reductions in public-sector employment, would repudiate the goals set by the 1974 "revolution" as well as the government's legitimacy. []

According to the US Embassy, Paris now insists that the regime come to an agreement with the IMF and negotiate a rescheduling of the official debt before France will disburse additional aid. We believe that moderates will intensify pressure on Kerekou to cooperate with France or consider ousting him if they become convinced that Paris would back such a move. Moreover, unless Kerekou can stem the downward economic spiral, he will face the growing risk that disgruntled senior or junior military officers will overthrow him. []

The Soviet and Libyan Response. In our view, Moscow and Tripoli clearly recognize the implications of Kerekou's partial warming of relations with the West and will seek ways to reassert their influence and limit Western inroads. Although Libya and the USSR are unwilling to take Benin on as an economic client, Qadhafi is likely to use periodic infusions of cash and gifts to retain his influence and access. The US Embassy reported late last year that Libya is considering Cotonou's request for budgetary support. []

Meanwhile, Moscow and Tripoli will probably continue to use their close ties to the Beninese military and security service to try to intimidate those favoring stronger Western ties. []

[] Qadhafi also plays the other side of the fence by trying to recoup Libyan influence with the Kerekou government. []

Outlook

We believe that Benin probably will continue gradually moving toward slightly more moderate, pragmatic policies but within definite limits. Economic desperation will push the regime to search for more Western

assistance. The moderate faction probably will continue to press Kerekou to dilute the radicals' power and reduce the regime's dependence on Moscow and Tripoli. We believe, however, that Kerekou—in his weakened position—will find it difficult to resolve longstanding intragovernment squabbling that will hinder a more fundamental political reorientation toward the West. []

Modest US leverage is limited to the influence of bilateral economic aid and support from international financial institutions. We believe neither is likely to induce prompt overhaul of Benin's statist economic institutions or fundamental change toward a more balanced international posture. In addition, the limited market potential for US investors and the likelihood of continued political ferment in Benin probably will deter any significant increase in US trade and private investment. []

We also believe Benin's halting turn toward moderation could quickly be reversed. We judge that extreme leftists will try to regain political dominance with the backing of their foreign patrons. If further Libyan and Soviet plotting comes to light, this could convince Kerekou that the political risk of a complete ouster of the radicals would be too great. We also believe that budgetary constraints facing the French will make the regime more vulnerable to demands from Moscow and Tripoli on behalf of the radicals. []

In the event that the internal power struggle intensifies and Kerekou's authority is further eroded, we believe the beleaguered regime probably would topple. We estimate that relatively moderate leftist officers would be the most likely leaders of a coup, in view of the growing sentiment against Marxism and the regime as a whole from that quarter. A government led by pragmatic leftists probably would continue and seek to expand cautiously the moderate trend begun by Kerekou. []

A coup by military and civilian leaders embittered by the regime's turn toward moderation also is possible, although less likely, in our view, because of the weaker

Secret

Secret

position of the radicals in the military. A takeover by senior military officers who sympathize with the radicals would almost certainly mean that the leaguers and their Soviet and Libyan backers would regain political dominance. The increased dependence of any radical successor on Communist and Libyan support would, in our view, also further the opportunities for Tripoli to use Benin as a base for regional subversion.

25X1

Secret

Secret

Secret